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In-depth:
African economies grew by 3.9% GDP in 2014 amid global and regional shocks

African economies registered 3.9% average GDP growth in 2014 compared to the 3.7% in 2013. This reflects resilience to global and regional shocks which affected the continent last year, according to the African Development Bank Group's Annual Report, which was released Wednesday, May 27 in Abidjan.

Despite the negative impacts of low commodity prices, the Ebola epidemic in West Africa as well as the fundamentalist and military insurrections witnessed in many countries, the continent achieved considerable growth, but with sharp variations between regions and countries.

In relative terms, Africa's economic growth was higher than the 3.3 % global average in 2014. Western Asia recorded 2.9 %, while Latin America and the Caribbean grew by 1.2 %. Africa, however, grew slower than the emerging markets and developing economies of the world, which registered 4.4 % growth.

Regional Variations

East Africa emerged as the best performer with a 7.1-% average GDP growth. Ethiopia, Rwanda, and Tanzania outstandingly grew at 10.3, 6.1, and 7.1 %, respectively. West Africa followed with growth averaging 6.0 %, a commendable performance in the light of conflicts in the region, the Ebola crisis, and the decline in oil prices. Nigeria, which rebased its economy earlier in the year, posted a 6.3 % growth.

Central Africa recorded an average of 5.6 %, reflecting considerable resilience to shocks, including military insurrections and the decline in oil prices. Gabon, which grew at 5.1 %, saw the expansion in non-oil sectors, especially timber processing, making up for the fall in oil prices, while the main drivers of the 8.9 % growth in the DRC were mining, agriculture and infrastructure investment.

North Africa continued to recover from the slump in previous years, recording an average growth of 1.7 % in 2014, compared with 1.6 % in 2013. While Algeria witnessed a resurgence of growth to 4 %, from 2.8 % in 2013, Morocco recorded 2.7 %, from 4.7 % in 2013. At 2.2 %, Egypt's growth remained stable. Tunisia's relatively smooth political transition was an important factor in the country's modest 2.4 % growth from 2.3 % in 2013. Instability in neighbouring Libya (with -19.8 % growth), however, remains a notable downside risk for Tunisia.

Southern Africa, which recorded 2.7 % growth, from 3.6 % in 2013 remained sluggish. South Africa, the region's largest and most influential economy, which had to contend with structural bottlenecks, strained industrial relations, and low investor and consumer confidence, posted a 1.5 % GDP growth from 2.2 % in 2013. Growth in other countries in the region was substantially higher. With growth at 7.6 %, compared with 7.4 % in 2013, Mozambique continued to be the region's fastest-growing economy, driven by foreign investment in mineral, gas and oil prospecting. Similarly, Zambia and Malawi posted impressive growth rates of 5.7 % each, (from 6.7 and 6.1 %, respectively, in 2013). Namibia's economy grew at 5.3 % from 5.1 % in 2013.

A few countries, including Ghana, Zambia, and Nigeria, experienced significant macroeconomic imbalances in 2014. In Ghana and Zambia, exchange rates depreciated sharply, stoking a rise in inflation, from 11.7 % in 2013 to 17.0 % in 2014 for Ghana, and from 7.0 % in 2013 to 7.9 % in 2014 for Zambia. Due to concerns over deteriorations in their fiscal positions, both countries were downgraded by international credit rating agencies.

External Financing

Africa's resource-rich countries received the bulk of the inflows, suggesting that natural-resource endowments remain a major attraction for FDI to Africa. External financial flows to Africa in 2014 grew to a record US $200 billion, some four times the figure for the year 2000. FDI was at US $60.4 billion, up from US $57.2 billion in 2013. The principal recipients of this FDI were Nigeria (US $6.5 billion), Morocco (US $4.8 billion), South Africa (US $4.8 billion), and Mozambique (US $4.1 billion). Remittances from the African Diaspora, the largest source of foreign financial flows to the continent, rose by more than 10 % to US $67.1 billion. Here, middle-income countries were the major beneficiaries, reflecting differences in the profiles of Africa's diaspora. Meanwhile, official development assistance (ODA) was estimated at US $55.2 billion, marginally lower than the US $55.8 billion recorded in 2013. This decline reflects a trend that began in 2000. However, ODA remains the largest single source of external financial flows to Africa's low-income countries.

Future Prospects

According to the report, future economic growth in most African countries will be driven by domestic demand, supported by investments in the natural resources sector, increased investment in infrastructure, and expansion in the agricultural sector. The medium-term growth prospects for the continent remain favourable as growth is projected to accelerate to 4.5 % in 2015 and to 5.0 in 2016. East Africa is expected to register 5.6 % growth in 2015, accelerating to 6.7 % in 2016. Central and West Africa are expected to grow by 5.5 % and 5.0 %, respectively, in 2015, rising to 5.8 % and 6.1 %, respectively, in 2016. North Africa is projected to grow at 4.5 % in 2015, a significant increase from the 1.7 % it achieved in 2014. Southern Africa is forecast to grow by 3.1 % in 2015, up from 2.7 % in 2014.

Mozambique: Country Outlook

POLITICAL STABILITY: The long-standing ruling party, Frente de Libertação de Moçambique (Frelimo), is set to remain dominant in 2015-19 under the leadership of the president, Felipe Nyussi. Previously a low-profile politician, Mr Nyussi has in his first months in power emerged as a more decisive leader than many expected. His election in early 2015 as Frelimo's president--replacing the outgoing state president, Armando Guebuza, who resigned--has in effect completed the transition of power, reducing Mr Guebuza's ability to influence his former protégé's decisions behind the scenes.

ELECTION WATCH: Frelimo won the October 2014 national elections, benefiting from a well-oiled party machine, strong financial position, opposition fragmentation and influence over state institutions and media. Mr Nyussi secured the presidency with 57% of the vote, and the party retained a comfortable--albeit diminished--majority in parliament. The result reflects persistent regional disparities, with Frelimo overwhelmingly dominant in southern provinces but opposition support stronger in the centre and north, as well as, increasingly, among younger urban voters. It also marks a dramatic comeback for Renamo and its leader, Afonso Dhlakama, after a decade during which he and his party saw their support wane. The next national elections are due in 2019, and, given the advantages of incumbency, Frelimo is set to be the front-runner. The opposition parties are expected to build on the parliamentary gains made in 2014, but are unlikely to emerge as a serious challenge to Frelimo in the next five years.

INTERNATIONAL RELATIONS: Amid growing donor concerns about standards of governance in Mozambique and bolstered by the country's natural resources potential, the government will aim to wean the country gradually off its dependency on aid. Foreign policy will focus on reaching out to new partner countries, with the aim of offsetting stagnating aid flows through rising revenue from investment in the mining and energy sectors. Nevertheless, ties with Mozambique's main historical partner, Portugal, and its biggest trading partner, South Africa, will remain strong, underpinned by foreign direct investment (FDI) inflows and long-standing commercial and personal links. Investment from Brazil, India, Australia and China will strengthen ties with those countries. Sizeable gas reserves will attract more foreign investors, especially among Asia's major gas-importing countries.

POLICY TRENDS: The government's overarching economic policy goal remains to promote inclusive growth and poverty reduction as the economy moves away from its dependence on aid towards the exploitation of natural resources. Challenges include bridging infrastructure gaps, fostering linkages between the resources sector and the remainder of the economy and enhancing the quality of education, all of which are necessary to ensure that the benefits of natural resources are widely spread. The government will also strive to boost productivity in agriculture, although progress will be stymied by farmers' limited access to funding, technology and markets. Despite resistance from vested interests, the government will continue to make efforts to improve the country's framework for private-sector participation.

ECONOMIC GROWTH: We expect buoyant and relatively broad-based economic expansion in 2015-19. However, the rate of real GDP growth will dip slightly in 2015, to 7%, from an estimated 7.5% in 2014, as a result of heavy floods early this year and contracted government spending. Economic growth is forecast to pick up to 7.6% in 2017, moderating again thereafter as growth in investment eases and uncertainty increases ahead of the 2019 elections. Coal mining and investment in new transport infrastructure will be key drivers of growth, with communications, industry and financial services also performing strongly. Weak oil prices pose threats to energy investments globally, including in Mozambique, despite the country's sizeable offshore natural gas reserves. However, Anadarko (US) and Eni (Italy) remain committed to their plans to develop liquefied natural gas (LNG) facilities in the country. We expect construction to start during the forecast period, probably late 2016, but caution that there are a number of downside risks--such as failure to sign binding sales contracts--prior to final investment decision (FID) that would extend this timeline. Even if FID is reached this year (as per investor targets), with probable delays in infrastructure development, LNG production is unlikely to start until 2020 at the earliest, missing the government's target of 2018. Worse than forecast demand in Europe, or a sharper than expected economic slowdown in China, could also hamper growth in Mozambique's existing export sectors.

INFLATION: Inflation, as measured by the consumer price index in the capital, Maputo, will remain subdued throughout 2015-19.

Average annual inflation will nonetheless accelerate from 2.3% in 2014 to 3.4% in 2015, as the metical's depreciation and an increase in electricity tariffs will offset the effects of declining global food and fuel prices. In 2016-19 inflation will fluctuate around an annual average of 4.8%, helped by adequate food supplies, as well as a weak South African rand (most non-oil imports come from South Africa), which will contain imported inflation. Major disruptions to the food supply could lead to upward revisions to this forecast.

EXCHANGE RATES: The metical averaged MT31.4:US$1 in 2014, down by 4% from 2013, but fell sharply in late 2014 and early 2015. Downward pressure on the metical is a reflection of Mozambique's large fiscal and current-account deficits, but also of an increasingly strong US dollar and weak commodity prices. Even in April, when the US dollar moderated against many world currencies, it rose against the metical, albeit at a slower pace than previous months. Robust growth and an anticipated tightening of monetary policy in the US will exacerbate downward pressure on the metical this year. As a result, we expect the metical to fall to an average of MT34.4:US$1 in 2015. Intervention by the monetary authorities will prevent a shaper slide, but in line with Mozambique's sizeable twin deficits, the metical will drift further during the remainder of the forecast period, to MT36.6:US$1 in 2019. Notably, the metical will remain reasonably strong against the South African rand in 2015-19, with the South African currency performing worse than the metical against the US dollar.

EXTERNAL SECTOR: Mozambique will continue to post large current-account deficits in 2015-19. The current-account deficit will narrow slightly this year--to 33.2% of GDP, down from an estimated 36.1% of GDP in 2014--as lower oil prices bring down the import bill. The deficit will edge back up gradually in the remainder of the forecast period, to 36.6% of GDP in 2019, on the back of a gradual rebound in global oil prices, continued currency depreciation and rising imports of capital goods for the mining and energy sector. Coal will be the major driver of export growth, overtaking aluminium as the country's largest export in 2016, by which time the new Tete to Nacala coal railway, with a capacity of 11m tonnes/year, will be operational. Nonetheless, the sector's performance will remain far below its potential and the government's ambitions, owing to depressed prices and ongoing infrastructure constraints. Gas is set to become a major export, but not until beyond the outlook period. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

Region - Africa/Middle East

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
05-06-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	BB-	NR	B	B
Bahrain	Baa3	BBB-	BBB	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

Eurozone

05-06-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa2	CCC+	CCC	NP	C	C
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

05-06-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa2	BBB-	BBB	NR	A-3	F2
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	AA-u	A	NR	A-1+u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB-	BBB-	NR	A-3	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Bank Group Loan and Grant Approvals by Sub-region, 2013-2014

Sub-regions	Countries			2013 UA million	2013 Share	2014 UA million	2014 Share	% Change in Approvals 2014
Central Africa	Cameroon** Central African Rep. Chad	Congo *** Congo, Dem. Rep. Equatorial Guinea	Gabon* São Tome & Príncipe	**243.9**	6.8%	**369.2**	8.2%	**51.4%**
East Africa	Burundi Comoros Djibouti Eritrea Ethiopia	Kenya Rwanda Seychelles* Somalia	South Sudan Sudan Tanzania Uganda	**597.3**	16.8%	**623.1**	13.8%	**4.3%**
North Africa	Algeria* Egypt*	Libya* Mauritania	Morocco* Tunisia*	**228.8**	6.4%	**304.2**	6.8%	**32.9%**
Southern Africa	Angola* Botswana* Lesotho Madagascar	Malawi Mauritius* Mozambique Namibia*	South Africa* Swaziland* Zambia** Zimbabwe	**615.2**	17.3%	**1,157.0**	25.7%	**88.1%**
West Africa	Benin Burkina Faso Cabo Verde*** Côte d'Ivoire Gambia, The	Ghana Guinea Guinea-Bissau Liberia Mali	Niger Nigeria*** Senegal Sierra Leone Togo	**991.0**	27.8%	**1,244.5**	27.7%	**25.6%**
Multinational				**884.9**	24.8%	**802.0**	17.8%	**-9.4%**
Total				**3,561.0**	100.0%	**4,500.1**	100.0%	**26.4%**

Source: AfDB Statistics Department.
*Notes: * ADB countries ** Blend countries *** in transition to ADB in 3-5 yrs*

India signs replenishment of technical cooperation agreement with African Development Bank Group

Dinesh Sharma, Temporary Governor for India, and Charles Boamah, African Development (AfDB) Vice-President in charge of Finance, on May 25, 2015 in Abidjan, inked a protocol accord, related to the replenishment of the country's technical cooperation agreement. The agreement comes in the margins of the AfDB's Annual Meetings, and on the heels of a generous contribution to the African Development Fund 13th Replenishment (ADF-13) by India, in which it increased its pledge by 57.28% (as compared to ADF-12) – with a contribution of UA 12,364,333 (INR 1.03 billion).

Signing the accord, Vice-President Boamah recalled the long-standing relationship between India and the Bank, underscoring that the replenishment is another manifestation of the strong partnership. "We know you trust the Bank and Africa," Boamah said, adding that, beyond the replenishment, it is interesting to know that the partnership provides opportunities for knowledge-sharing in India's development.

Dinesh Sharma also magnified the relationship with the Bank, stating, "This is a valued relationship and we shall engage more and more, as we are in the same boat and we need to support each other in learning. We would appreciate a lot more of this kind of engagement."

It is worth recollecting that the partnership has been deepened by India's commitment to further replenish the India-Africa Economic Cooperation Trust Fund by 600 million Indian rupees (INR), equivalent to US $9,523,809.52, which, Boamah recognized, "is a significant increase from the agreement signed in 2010 of US $6.75 million."

Under AfDB-India joint cooperation, the Trust Fund is delivering significant results in enhancing Public Private Partnerships in a number of sectors in Regional Member Countries. In this regard, India is supporting the African Legal Support Facility to enhance governments' capacity to negotiate appropriate legal agreements. The Trust Fund is also supporting the Bank in addressing its trade finance initiatives, as well as promoting infrastructure and regional integration – particularly through the railways enhancement project in East Africa.

Africa-India partnership at the centre of discussions: an opportunity for shared experience in project financing in Africa

Africa-India Partnership Day was one of the major events of the 2015 African Development Bank Annual Meetings. Jointly organized on May 27 in Abidjan by the AfDB's Private Sector Department and the Export-Import Bank of India, it brought together financiers, sponsors, contractors, researchers and other key actors of Africa and India's private sector for networking and identifying business opportunities mutually beneficial for the continent and India. The Ministry of Finance of India and the Embassy of India spearheaded the event.

In his plenary presentation, Exim Bank of India Managing Director, Yaduvendra Mathur underscored the importance of Africa-India partnership, which he described as promising and an opportunity for sharing experience in the areas of project financing through loans and guarantees.

The Managing Director said his institution is committed to accompanying both Africa and India's development, affirming that Exim Bank of India is particularly interested in the agriculture, high tech and infrastructure (energy and power, transport, ICT) sectors. In this respect, he announced the upcoming opening of a branch of Exim Bank of India in Côte d'Ivoire, and also said that his institution would continue to support Indian enterprises willing to invest in those sectors in Africa.

He also reported that Exim Bank of India facilitates joint investments by Indian and overseas company in African markets in addition to facilitating investments as well as exports from African companies in to India. "As of March 31, 2015, Exim Bank has supported five such ventures amounting to $447.3 million in West Africa," Marthur said. On the institutional and research levels, the meeting also heard that Exim Bank of India has been consciously forging a network of alliances and institutional linkages to help further economic cooperation while promoting and facilitating bilateral trade and investment between India and the African region.

The conference was also marked by a panel discussion on project development and co-financing, with the Ivorian Commerce Minister, Jean-Louis Billon; AfDB Private Sector Development Director Department Director, Kodeidja Diallo; Exim Bank of India Chief General Manager, Prahalathan S.; and Infrastructure Leasing & Financial Services of India (IL&FS) Ltd. Senior Vice-President, Sanjay Ghag as panel members. Each of them expressed the need for deepening India-Africa cooperation, to boost Africa's development.

Speaking on behalf of Solomom Asamoah, AfDB Vice-President in charge of Infrastructure, Regional Integration and Private Sector (OPSD), Kodeidja Diallo, underscored the Bank's role in financing private sector projects in the region and dwelled on the collaboration between India and the AfDB, which dates back to the time India became a member of the African Development Fund in 1982 and of the African Development Bank in 1983.

An interactive Q&A session provided an opportunity to take away practical ideas about the India-Africa partnership, where the AfDB Private Sector Director affirmed that the doors are open for Indian infrastructure companies, as contractors, suppliers and, more importantly, sponsors. She also noted that since 2009, the Export-Import Bank of India and the AfDB have worked more closely together. One of the results of this tighter collaboration is the establishment of the Kukuza Project Development Company – an infrastructure venture investment company – with a total capitalization of USD 25 million, with Infrastructure Leasing & Financial Services ***Limited*** (IL & FS Ltd.), the Exim Bank of India, and the State Bank of India, Allied Investment Partners of Abu Dhabi as co-shareholders along with the AfDB."

Exim Bank of India was also reported to be one of only a few partners that work with Africa through the AfDB. "It has extended concessional Lines of Credit to African countries with a target of infrastructure development, like in the DR Congo, where it has issued a Line of Credit of about USD 170 million for financing and development of hydro power plants," said AfDB's Diallo. "Whether, among producers, distributors, importers and exporters, or among companies and the financial sector, the collaborative approach remains essential," she said.

Exim Bank of India, with its comprehensive range of financing, advisory and support services, made it clear that it seeks to create an enabling environment for enhancing two-way flow of trade, investment and technology between India and the African region. It also aims to promote infrastructure development, facilitate private sector development in host countries, and contribute towards the institution-building in the region.

ADB supports development of artisanal fishing in Angola

The African Development Bank (ADB) in 2013 approved a new project to support the development of artisanal fishing budgeted at about US$40 million, the bank's chief economist in Angola said in Luanda.

During a technical meeting between the Ministry of Fisheries and Angolan and foreign partners for the development of the project, Joelmo Mzima said the ADB would grant a loan of US$30 million, with the remaining US$10 million directly funded by the Angolan central government.

This project, which is expected to start running in 2019, aims to reduce post-fishing losses of fish products by around 30 %, by introducing modern maritime surveillance systems in several coastal regions of Angola, according to Angolan news agency Angop. Mzima said the project includes a technical partnership with the United Nations Fund for Agriculture (FAO), for control, management and fisheries monitoring and is at present finalising administrative procedures for setting up the partnership. Since 1980 the African Development Bank has approved about 38 projects for Angola estimated at over US$1.5 billion. *(Macauhub)*

AfDB supports efforts in improving trade finance in Africa

The African Development Bank (AfDB) is supporting efforts to improve trade financing on the continent. The Bank is not only financing trade activities and projects to facilitate trade, it is also conducting studies to unravel the challenges to trade and to provide solutions.

During a presentation at the session on "Trade Finance in Africa – What next?" at the ongoing 50th Annual Meetings of the AfDB in Abidjan, Côte d'Ivoire, Wednesday, May 27, Issa Faye, Division Manager of the Bank's Research Department, presented findings of the Bank on trade which indicates that to date, the AfDB has provided financing to the tune of $10 billion to facility trade on the continent. He said during the study, the Bank contacted 900 commercial banks in one year, and 275 in 25 countries responded.

The study identified the funding gap in trade in Africa, which is measured in billions of dollars – indicating that around a third of African countries have interest rates in excess of 10 % on trade loans offered on a non-sovereign basis and cash collateral requirements of up to 50 % of the value of loans. Towards the goal of enhancing trade on the continent, the AfDB is also building the capacity of local banks and providing financing to them, Faye said.

In his remarks, Jean Louis Billon, the Minister of Trade for Côte d'Ivoire, said the rest of the world is interested in Africa because of the continent's growth and said that interest should be seen as good fortune and not a risk. According to him, Africa must transform that growth into inclusive growth because the continent has diversified drivers for growth. Acknowledging that Africa has infrastructure and energy deficits that are hindering growth, he said to fan growth there is the need to invest in in building dams, roads and provide electricity. "To succeed, we have to also be a continent that in addition to production, also processes," he said, and called on Africa to have a voice in international trade, something he said shouldn't necessarily be protectionism. Benedict Oramah, Vice-President of Afreximbank, said between the year 2000 and 2013, import financing on the continent has increased and Afreximbank has provided about $40 billion to close the funding gap in import financing. He also shared the bank's experience in trade financing when he gave the example of how the bank financed the establishment of a cocoa processing plant in Côte d'Ivoire. Sebastain Ashing-Katai of Ecobank pointed out that part of the challenges to trade finance is lack of information, he however said Ecobank is working on addressing that issue. Among the panelists was Mustapha Sow of the United Nations Economic Commission for Africa (ECA) and Florian Witt, Managing Director, Head of Africa Commerzbank.

AfDB funds USD 70.5 million for Tanzania's power sector reform and governance support programme

Power sector reform and a governance support programme are central to the African Development's actions to accompany Tanzania's economic growth. It is in line with this, that the Permanent Secretary in the Ministry of Finance of the United Republic of Tanzania, Servacius Likwelile and the African Development Bank's Vice-President, in charge of Agriculture, Water, Human Development, Governance and Natural Resources, Aly Abou-Sabaa signed a USD 70.5 million loan accord on May 27 in Abidjan.

The fund will finance the Power Sector Reform and Governance Support Programme (PSRGSP) in the country. It will boost the Government's efforts to implement energy-sector and related reforms, particularly, strengthening the institutional framework and operational efficiency of the power sector; enhancing competition and private sector participation in the power sector; and improving governance. Vice-President Abou-Sabaa commended the Government of Tanzania for implementing an ambitious ongoing reform programme in the energy sector. He also reaffirmed the Bank's commitment to provide support, and contribute to improving governance norms in the sector. Permanent Secretary Servacius Likwelile, said the Government and the people of Tanzania appreciate the Bank's support that has enable the country to boost efforts to implement energy sector and other related public financial management reforms, and to create wealth in the country. Since the beginning of its operations, the Bank Group's portfolio in Tanzania comprises 27 operations, with a total commitment of UA 993 million, in infrastructure, agriculture, human development, private sector and multi sector, including budget support. With this new operation, the portfolio has now increased to over UA 1 billion. "The overall performance of the portfolio is satisfactory and we will continue to work together to further improve the soundness and development effectiveness of the portfolio," Abou-Sabaa concluded.

Structural change needed to spur innovation in Africa: AfDB 2015 Annual Development Effectiveness Review

The Annual Development Effectiveness Review presents the performance of the African Development Bank

To make economic growth self-sustaining, African countries must urgently make deep structural changes to propel innovation, notably boosting public investment and strengthening social services. Innovation is needed to create jobs and offer livelihood opportunities to lift the majority of Africans out of poverty, according to the African Development Bank's **5th Annual Development Effectiveness Review** (ADER) released in Abidjan.

This year's ADER has innovation as its theme. "While Africa is celebrating unprecedented levels of economic growth, we recognise that the African economy still needs to undergo a profound structural transformation. Innovation is absolutely imperative for Africa to adapt products, services and business models to local conditions," said AfDB President Donald Kaberuka. "Africa is leading the way in finding home-grown solutions that leapfrog old technologies, but these actions must be stepped up.

"The AfDB promotes innovation by expanding markets through regional integration, nurturing skills in science and technology, and above all by building the backbone infrastructure – the roads and the power lines and the fiber optic cables – on which innovation depends," President Kaberuka went on to say.

The report shows Africa has made development progress on several fronts since 2010:

- Telephone access has grown over 4%, largely due to mobile subscriptions
- The time to start a business has fallen to 26 days from 42 days
- Intra-African trade has grown steadily to $145 billion

At the same time, the 2015 ADER projects that by 2030, Africa's middle class will reach half a billion. "Africa will be an increasingly attractive market, and investors will be lining up to reach 500 million outward-looking, mainly young

people, " said Simon Mizrahi, Director of the AfDB's Quality Assurance and Results Department, which authored the ADER.
The report also shows how Bank projects have improved the lives of Africans:

- 19 million people have benefitted from 5,000 km of new roads
- 9.6 million people have benefitted from improvements in agriculture
- 2.1 million people have benefitted from better access to education

The ADER is an annual report that shows how the Bank contributes to Africa's development and how well it manages its portfolio and itself as an organization, examining the Bank's strengths and weaknesses and sharing reforms it is undertaking to become a stronger development partner.

African Natural Resources Center seeks comments on its strategy for 2015-2020

The newly established **African Natural Resources Center** (ANRC), African Development Bank (AfDB) Group, has launched an **online consultation** to seek comments from all stakeholders on its **draft strategy for 2015-2020**.
The recommendations and comments received will help ANRC better assist African countries maximize development outcomes derived from Africa's natural resources by boosting their capacity to achieve inclusive and sustained growth from natural resources.
This online consultation is consolidated by a series of regional and global consultations.
This series of consultations will help the African Natural Resources Center better advise African countries on natural resources management policy formulation and implementation to enable them to extract greater economic and social value from the development of natural resources.
The idea beneath the establishment of the ANRC is to enhance African countries' capacity to improve development outcomes from sustainable use of renewable and non-renewable resources. The Center will achieve this through interventions that increase the effectiveness of public and private sector governance and institutional frameworks. The Center will assist African countries increase economic deliverables from resources exploitation by advocating good governance, building institutional capacity, providing policy advice, offering strategic guidance and delivering technical assistance.
The strategic objective is informed by the call by African countries for support in improving outcomes from the use of natural resources wealth and the expectation of citizens of resource-rich countries for inclusion in decision making and to benefit from the wealth. Africa has indeed significant renewable and non-renewable natural resource wealth. The region has the largest arable land mass in the world. Africa is home to the second largest as well as the longest rivers in the world, namely the Nile and the Congo. Africa is also host to the world's second largest tropical forest.
In the extractives sectors, it is estimated that the region accounts for about 30% of all global minerals reserves. Its proven oil reserves constitute 8% of the world's reserves and those of natural gas amount to 7%. Minerals account for an average of 70% of total African exports and about 28% of Gross Domestic Product (GDP). Africa's natural resources provide a unique opportunity to foster human and economic development while facilitating regional integration in infrastructure, agriculture, energy, tourism and forestry.
However, there are significant sustainable development and governance challenges. The region's leaders recognized this and have stated that, "poor management and regulation of the harmful environmental, social and human rights impacts of mining have struck critical and, in some cases, hostile attitudes among mining communities towards the industry and government".
This draft will be the basis of the African Natural Resources Center's strategy for 2015-2020, identifying critical areas for better support to African countries in natural resources management, both renewable (water, forestry, land and fishery) and non-renewable (oil, gas and minerals).

INVESTMENTS

Angola and China discuss new cooperation model in Beijing

Delegations from Angola and China in Beijing, began an analysis of the documents to be submitted to the Joint Cooperation Committee, whose meeting will take place, Angolan news agency Angop reported.
The Director for Asia and Oceania of the Angolan Ministry of Foreign Affairs, André Panzo, said the meeting was a technical meeting between experts of the two delegations, and the meeting would focus on the commitments made in the previous session of the Joint Committee with a view to re-launching cooperation.
Panzo said that the meeting, taking place at the Ministry of Trade, would analyse various legal instruments such as the cultural cooperation agreement that came to an end in 2014, two years after being signed.
Last April, the Angolan Secretary of State for Cooperation, Angela Bragança said that cooperation between the two countries requires a new rhythm with the introduction of a more dynamic model "to make the move from contracts to investment in industrialisation." Ângela Bragança, who travelled to China as part of the delegation led by the Minister of State and Chief of Staff, Edeltrudes Costa, said that Angola had the resources and China had the technological capability to support the development of the country "hence we looked at the need to boost the pace of bilateral

cooperation." Diplomatic relations between Angola and China date back to 1983, with bilateral trade in 2014 reaching over US$37 billion, making Angola China's second largest trading partner in Africa, after South Africa. *(Macauhub)*

PPPs: How the private sector can successfully partner with African governments

It is estimated that sub-Saharan Africa's infrastructure needs exceed US$93bn annually for the next few years, according to the Africa Infrastructure Country Diagnostic. From transport to power to ICT, the continent's massive infrastructure deficit is limiting its growth potential, with governments alone unable to fund these projects. However, one way of financing them is through public-private partnerships (PPPs). In March, UAE-based water solutions company Metito signed a PPP agreement for a $75m water project with the Rwandan government. The project will develop a new water supply plant to serve 40% of Kigali's potable water

How we made it in Africa speaks to Metito's managing director, Rami Ghandour, about how PPP projects such as these generate returns for private companies and why success in Africa requires an in-depth understanding of the market.

How exactly are returns generated on a PPP project like this?

For a project of this nature, revenues to the developer [in this case Metito] are generated over the life of the project (contract period), which could be up to 30 years. The developer submits an invoice to the client [in this case the Rwandan government] for services rendered, which is the agreed tariff multiplied by the total volume of water consumed by the client. The method of calculation can vary depending on the tariff structure agreed with the client, whether it is a flat tariff with a guaranteed off-take, or a tariff that is broken down to capture fixed costs (which do not vary with consumption), and variable costs which do. The benefit to the client is that they only pay when the service is available after commercial operation, thus eliminating a significant upfront capital investment they would have had to make if they adopted a traditional procurement process. In essence the client ends up paying for receiving a service (over a longer period of time) as opposed to receiving an asset. It is also worth mentioning that typically ownership of the asset under a PPP is transferred to the client at the end of the contract period.

Are there any short term returns or benefits?

Typically for a project of this nature, returns are made over a long period of time. We always look at a project's overall viability in the long run, as such, and as an investor our gains are realised over the life of the project. Aside from this, we'll also see returns in the form of additional business leads in Africa. The announcement of this PPP was high profile, and as a result it helps generate new business leads and other potential projects, both PPPs and private partnerships. We have already been in contact with other entities in East Africa following the Rwanda announcement, and we expect some of these to develop into new agreements.

What are some of the major risks facing PPP projects like this? And how can they be mitigated by a private company?

Often one of the major risks and challenges for governments involved with infrastructure projects under PPP models is obtaining financing, especially if a particular technology will be required or the suitable solution isn't too clear.

The main risk, particularly across most emerging markets, is ensuring the project is sustainable and affordable. A project that is not structured in such a manner could potentially result in payment risk from the off-taker. The Kigali project has been structured in such a way whereby all the necessary analysis has been conducted where all parties are satisfied with the project's viability, and the government has engaged with us to ensure that documentation provides adequate protection to all parties and appropriate risk allocation. There are also potential engineering, procurement and construction (EPC) risks such as delay in construction due to most materials being imported. In case some items are missing and you cannot get it from local markets, delays could be expected. In such cases, we make sure the EPC contractors are ahead of schedule and proper project planning is implemented. With this project this risk is mitigated as we have hands on experience in developing tailored water management solutions for varying environments and markets backed by a proven track record of identifying the correct solutions and technologies, and successful delivery and operation of similar projects. This has aided Metito in forging a strong and longstanding relationship with the IFC for financing such projects, mitigating typical risks of uncertain financing. Another concern can be that when a private sector company comes in, especially a foreign one, then employment opportunities for locals will diminish. With Metito, we are always committed to developing an operation that is, as much as possible, operated by people from the market we're working in. This is the case in all our markets globally, including Indonesia, China, Thailand andEgypt. Our motto is "local presence, global know-how" and it's something evidenced by the establishing of Kigali Water, the company that will cement our commitment to the people and country of Rwanda.

Are there any major differences between PPP projects with African governments and those elsewhere in the world?

Every country is unique, and as such dealing with each government is different, just as is dealing with various private sector partners. In some parts of Africa, the concept of a PPP (particularly in the water sector) is fairly new, so there is a bit more effort involved by all concerned to ensure the project is made bankable. Often this means longer lead times in developing such projects. However, with time, and with more projects achieving financial close, there will be enough precedents to make the overall transaction process smoother in the future. Also there is a need to ensure that the project is affordable; where you find most of the proposed tariff is not equal to, or is less than, the local tariff. Usually the Ministry of Finance guarantees the gap.

What advice do you have for other global companies looking to enter win-win PPPs with African governments?
Doing business in Africa is very different to other parts of the world. Though there are some similarities to other emerging markets, one needs to understand the local requirements of each potential market within the continent, as these could differ significantly. It takes an in-depth understanding of the market, persistence, determination, and patience in turning project concepts to reality. *(How we made it in Africa)*

Africa is fertile ground for exponential companies, research and development

AFRICA, while seen as an attractive investment destination, has been unable to shake perceptions that it lags behind the rest of the world in the use of innovative technology to drive business. However, it has the potential to leapfrog developed countries if it uses disruptive technology to build a digital infrastructure and foster exponential growth in African companies. If tackled successfully, home-grown solutions to the continent's biggest challenges could help solve global problems, while creating lucrative marketplaces for African companies. To achieve this, local business leaders must build exponential organisations that leverage assets like community, big data, algorithms and new technology to achieve greater scale. Recent history shows that companies using this model have grown their business at a pace that was unheard of just a decade ago, developing at a rate ten times better, faster and more cheaply than their peers. Examples of these exponential organisations include the mobile app-based transport network Uber and the lodging website Airbnb.

Exponential

Founded in 2009, Uber raised $49 million (R582m) in venture capital two years later and expects to generate $10 billion by the end of this year; Airbnb raised $119.8m of venture funding in 2011 and is now valued at about $10bn. Both companies leveraged the power of new technologies and the crowd to outperform traditional companies in their industry. Any company can become exponential, regardless of whether it is a start-up, midmarket or large organisation. In fact there are pockets of information and communications technology (ICT) expertise in Africa, which could drive development of exponential organisations like Uber and Airbnb. Kenya's ICT sector already contributes 12 % of gross domestic product (GDP) and the government is creating a purpose built hub near Nairobi dubbed 'the silicon savannah'. This year, Addis Ababa will be hosting the tenth international conference on ICT for Development, Education and Training on the continent, drawing more than 1 400 political leaders, education experts and investors from more than 90 countries. Africa has one good example of an exponential organisation – Safaricom, a Kenyan mobile network operator that launched the M-Pesa in 2007. The service, which allows people to transfer cash cheaply using their phones, is now used by more than 17 million people in Kenya and serves as a conduit for more than a quarter of the country's gross national product. The success of the M-Pesa has made Kenya the leader in mobile money and demonstrates how the continent can be a fertile ground for research and development and product development.

Education and agriculture

Other sectors in Africa that are ripe for exponential change are education and agriculture. E-learning, or the use of electronic educational technology is increasingly being seen by officials as the solution for improving access to education and training on the continent.

According to a report by a US-based international research company, Ambient Insight, Africa has already become the most dynamic e-learning market in the world. E-learning revenues had reached $250m in 2011 and were set to triple in four countries and double in two by 2016, it said. Agriculture is another area with great potential, as the continent suffers from chronic food shortages and yet is believed to have more than 60 % of the world's uncultivated arable land. Biotechnology is already being used in many African countries to improve the yields of staple crops like cotton and maize.

To address Africa's biggest challenges, while exponentially growing businesses, African countries must adapt a "flexible and future-thinking" regulatory structure – a lucrative strategy, which would quash the appeal of the tightly regulated market in Europe and the US. There is already one good example of how Africa can capitalise on this. Matternet – an American start-up that is pioneering the production of drones to deliver food and medicine supplies in remote areas – is doing its tests and product development in Ghana because of onerous restrictions in the US.

Another area where Africa could take a lead is medical devices. Many medical advances are stuck in the queue of the FDA and take years to get approval, despite proven safety. An African country that developed a fast, safe medical regulatory structure would attract global research and development. African countries can also take the lead in digital civics and voting systems, which are archaic in the US and other countries. One could raise the issue of internet access, which is not ideal in many parts of the continent, as an inhibitor to exponential growth.

Project Loon

However, that problem could be addressed by Google's Project Loon, which is working to set up a network of high altitude balloons to connect people in remote and rural areas.

This disruptive technology will provide broadband service fast enough to force local providers to significantly improve their delivery, at more competitive prices. Project Loon plans to sign up its first commercial customers next year. Although Africa is often seen as a region that lags the rest of the world in terms of technology, innovation and output, it stands ready to embrace exponential technologies and approaches to solve some of its – and the world's – grandest challenges. Salim Ismail is the founding executive director of Singularity University. Barclays is bringing Singularity

University to Africa for the first time next week. Top Silicon Valley technologists, entrepreneurs, innovators and strategists will meet with African executives to discuss how technologies like robots, drones, artificial intelligence, 3D printing and biotechnology will fundamentally increase innovation and change business in Africa. *(Business Report)*

African FDI inflows now exceed development aid

Africa has attracted substantial capital flows in the past decade, bolstered by strong growth prospects and better economic management. A joint study by the African Development Bank (AfDB), the Organization for Economic Cooperation and Development (OECD) and the United Nations Development Program (UNDP) estimates that external financial flows to Africa have quadrupled since 2000. External capital inflows are vital to the well-being of African economies. In 2015, they are forecast to equal 7.2% of the continent's GDP. Not only have these flows grown rapidly overall, but their sources have changed fundamentally. FDI has grown almost five-fold since 2000. It has overtaken official development assistance (ODA), which more than tripled in the same period to US$56.3b in 2014, but which is expected to slow sharply henceforth. Meanwhile, remittances from Africans working abroad have become the biggest source of foreign inflows to African states. After a six-fold increase, they are expected to have topped US$64b in 2015. While remittances help build homes, start businesses, and support consumption, FDI plays an equally vital role, helping to build infrastructure, supply necessities, reduce poverty, develop skills, and more. FDI is helping diversify the continent's economies, many of which are overdependent on extracting and exporting natural resources.

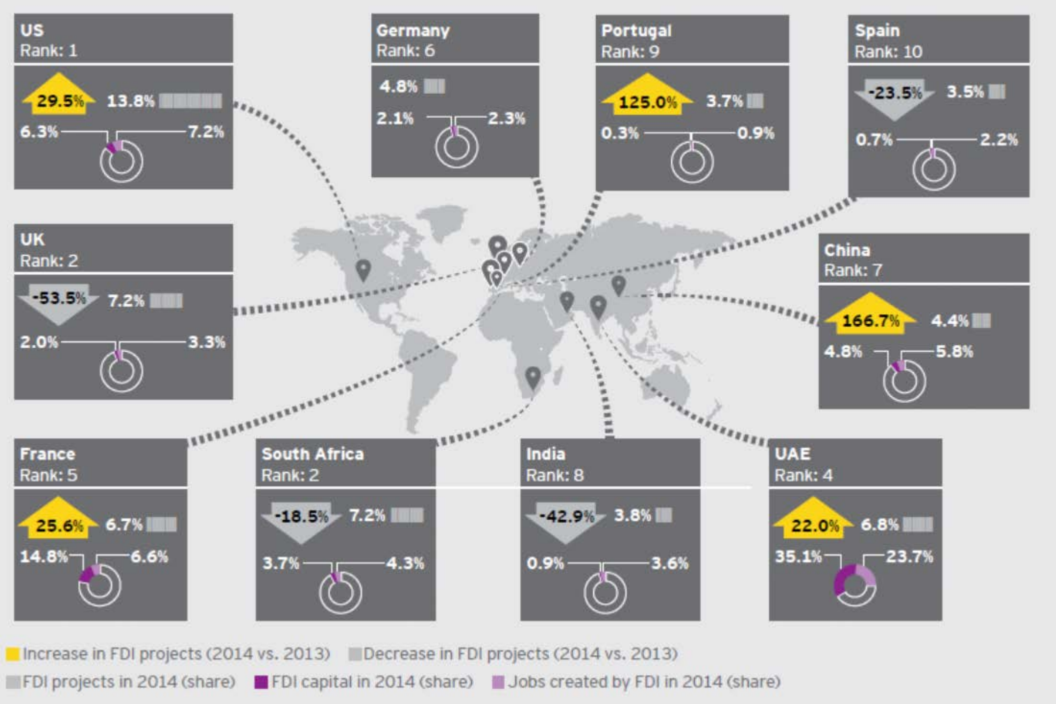
Foreign investments (both direct and portfolio) now largest source of capital flows to Africa (US$b)

	2000		2002		2004		2006		2008		2010		2012		2014E*	2015P*
Foreign direct investments	12.5	23.3	20.0	23.4	25.4	33.8	35.4	52.8	66.4	55.1	46.0	49.8	49.7	54.2	49.4	55.2
Portfolio investments	1.5	-3.6	-0.4	-0.7	6.9	6.3	22.5	14.4	-24.6	-0.3	21.5	6.8	25.7	21.5	13.5	18.4
Official development assistance	15.5	16.8	21.4	27.4	30.0	35.8	44.6	39.5	45.2	47.9	48.0	51.7	51.3	55.8	56.3	54.9
Remittances	10.9	12.1	12.8	15.4	19.5	33.3	37.3	44.0	48.0	45.2	51.9	55.7	61.2	60.6	61.8	64.6
% GDP	6.8%	8.4%	9.3%	9.3%	9.7%	11.0%	12.3%	11.4%	8.7%	10.0%	9.6%	8.6%	8.3%	8.2%	7.3%	7.2%
Total	**40.4**	**48.7**	**53.8**	**65.5**	**81.9**	**109.2**	**139.7**	**150.6**	**135.0**	**147.9**	**167.3**	**164.0**	**187.9**	**192.0**	**181.1**	**191.5**

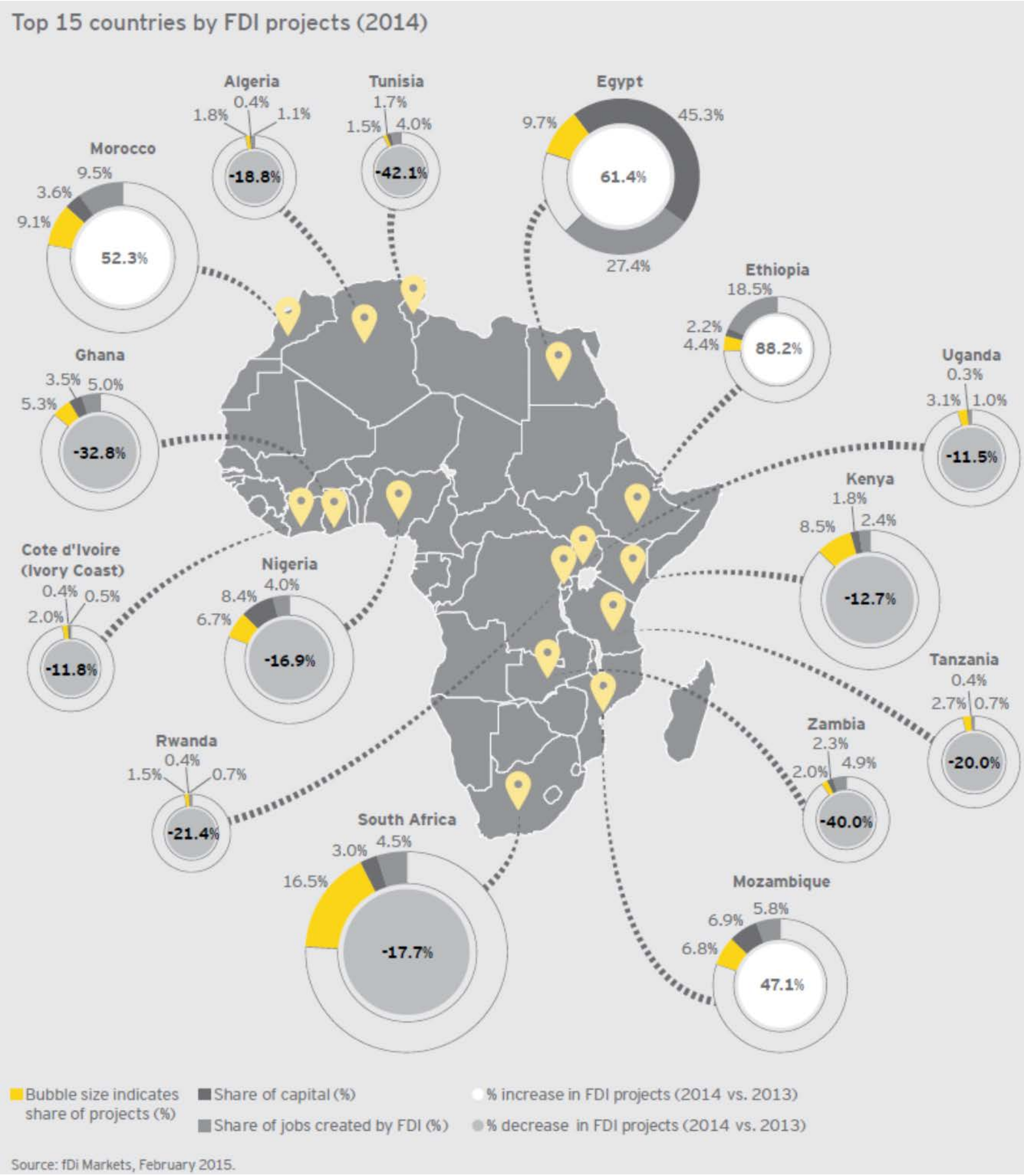
*E=estimate, P=projection
Source: African Development Bank, OECD and UNDP.

The US becomes the largest investor, while the UAE, France, China and Portugal expand presence

Top 15 source countries by FDI projects (2014)



Source: fDi Markets, February 2015.



(Ernst & Young)

BANKING
Banks

Former JPMorgan, Citi Bankers Start Dubai Boutique Advisory

Two former investment bankers from JPMorgan Chase & Co. and Citigroup Inc have started a boutique advisory firm in Dubai, aiming to tap appetite for deals in the U.S. and Canada. Trussbridge Advisory DIFC Ltd. will advise clients on capital market and corporate finance transactions in the Middle East, and mergers and acquisitions and investments between the Middle East and North America, according to founders Samer A. Katerji, a former managing director for Citigroup's Middle East investment banking unit, and Rody Yared, a former executive director at JPMorgan. Trussbridge plans a permanent presence in the U.S. and is close to hiring a senior banker to run operations in New York, Yared said in a May 20 phone interview.

The startup is the latest in a string of Middle Eastern firms founded by senior bankers betting on their experience and relationships with big corporates to set up on their own. Albert Momdjian, who handled UBS Group AG's wealthiest clients in the Middle East, quit last year to start an investment company in Dubai. Ali Asghar, the former head of Lazard Ltd.'s office in the emirate, left in 2013 to set up an emerging-market focused firm, while former Goldman Sachs Group Inc. banker Ziad Awad established an advisory and consultancy business in the sheikhdom the same year.
"The big banks are focused on large size transactions," Yared said. "The space is crowded with international banks when it comes to deals above half-a-billion dollars. The mid-size market, with ticket in the range of $100 million to $250 million, is not actively covered by these banks."
QIA
Qatar Investment Authority is among regional investors scouting deals in the U.S. The sovereign wealth fund of Qatar, which controls more than $100 billion in investments, is setting up an office in New York as it looks to expand its U.S. portfolio. "North America stood out as an obvious choice as most banks were focused on opportunities in Europe, Asia and Africa and the competition in this market was far less, particularly in the mid-sized segment," Katerji said. "Compare the dynamics of the economies in North America with those of Europe and you can see very clear reasons for an investment case ." Trussbridge is already working on several transactions across a broad range of sectors, the bankers said. The advisory business was the sole financial advisor to Jordan's Nuqul Group on the sale of a $175 million stake in its tissue-making unit to Standard Chartered Plc earlier in May. *(Bloomberg)*

Atlas Mara Said to Consider Bid for Stake in Mozambican Bank
Atlas Mara Ltd., the company co-founded by Robert Diamond to invest in African financial businesses, is considering bidding for a stake in Mozambican lender Moza Banco SA, according to two people with knowledge of the matter.
Atlas Mara, set up by the former Barclays Plc chief executive officer and Ugandan entrepreneur Ashish Thakkar, has been in talks with Moza Banco shareholders for as long as three months about a transaction, said one of the people, asking not to be identified as the negotiations are private. Moza Banco is a consumer and commercial lender 51 %-owned by local investors and 49 % by Novo Banco SA, the Lisbon-based bank that emerged from the breakup of Banco Espirito Santo SA. Moza Banco, based in the capital, Maputo, is the fourth-largest bank in Mozambique with a 5.4 % market share and 54 branches, according to its website. It has equity of about $62 million, according to its latest annual report. Portugal is seeking a buyer for Novo Banco and any deal changing the ownership at Moza Banco would have to wait until that transaction is in place, according to a third person. The Bank of Portugal's Resolution Fund owns Novo Banco following a 4.9 billion-euro ($5.4 billion) rescue of Banco Espirito Santo in August. The central bank has invited five bidders to make binding offers for Novo Banco by the end of June. The proceeds will be used to repay the costs of the bailout.
Botswana, Zambia
Atlas Mara is already present in Mozambique through its acquisition of Gaborone, Botswana-based BancABC, which also operates in Tanzania, Zambia and Zimbabwe. In January, Atlas Mara appointed a Mozambican, Eduardo Mondlane Jr., to its board. Atlas Mara said in April it's in exclusive talks to invest about $22.5 million in Banque Populaire du Rwanda and merge it with BRD Commercial Bank, creating one of the central African country's largest lenders. Thakkar declined to comment when asked about a Moza Banco transaction in Abidjan, Ivory Coast. Adam Yussof, a spokesman for Moza Banco in Maputo, didn't respond to a request for comment that he asked be e-mailed to him. Diamond, 63, quit as Barclays CEO in 2012 after the London- based bank was fined for manipulating benchmark interest rates. *(Bloomberg)*

Africa Bank's junior creditors to get some money back under restructuring plan
Failed South African unsecured lender Africa Bank has offered $137 million to junior creditors in a restructuring plan agreed that may please some investors who had not expected to get anything back.
Abil, as bank is widely known, collapsed under a mountain of bad debt in August last year, forcing the government to appoint external administrators to oversee a restructuring that includes carving out a "good bank" using its healthy assets worth 26 billion rand ($2.15 billion). Junior creditors, which rank behind other creditors when a company or bank fails, had claims on Abil totalling 4.4 billion rand, the bank said. Under the restructuring deal, the junior creditors will have 1.65 billion rand of their claim rolled into a new 10-year subordinated bond that will issued by the "good bank,", which effectively means they will get some money back. "The fact that there's a recovery on that debt is a positive," Bronwyn Blood, fund manager at Cadiz Asset Management, said. "It's a recovery rate of 37.5 % on an investment that was completely written off." Cadiz holds both senior and junior African Bank debt. The recovery of the remaining 2.75 billion rand claim from junior debt holders is in doubt, Blood said, because it would be depend on the performance of the failed, ring-fenced loan book of African Bank, or the "bad bank." The bad loan book portfolio, which contains loans where customers cannot keep up with monthly repayments, is worth 17 billion rand and was acquired by the Reserve Bank in August as part of the rescue plan. Abil's senior debt holders will see their bonds assumed by the "good bank" at 90 % of face value and the maturity of the bonds will be extended by two years.
Junior creditors also have an option of converting their 4.4 billion rand claims into equity, African Bank said. As part of the offer, all creditors have to agree not to make any further claims against African Bank on the old debt. African

Bank, which has relatively few depositors, is expected to list the healthy part of its loan book in early 2016, the South African National Treasury said in March. Abil has been under outside supervision, led by Tom Winterboer from PricewaterhouseCoopers, since August last year. ($1 = 12.0720 rand) ($1 = 12.1145 rand) *(Reuters)*

StanChart to boost global retail business -exec

Standard Chartered will spend "hundreds of millions of dollars" in the years ahead to raise the share of income from its retail business 10 percentage points by 2020, its group head of retail clients said. Karen Fawcett said the lender, which focuses on Asia, Africa and the Middle East, would invest the money in areas such as technology to raise the share of retail business income from 30 % now. "The bank has very big ambitions in this area," she said in an interview in the Kenyan capital. The bank's retail business is focused on 80 cities, ranging from Shanghai to Lagos, that it expects to be among the biggest by 2030 in line with urbanisation trends. Standard Chartered has set up its first digital branch in Africa at a shopping mall in Nairobi, offering online banking and cash machines, a recognition that Africa consumers have embraced the concept of shopping malls, Fawcett said. Standard Chartered has been in some of its core African markets such as Kenya for more than a century but it faces increasing competition from other global banks and rising homegrown lenders in most parts of the continent. The bank's new generation digital banking platform, letting users access their accounts through any device, will be rolled out in Africa first when it is ready, she added. "We see things moving quickly here. There is a huge demand from our clients," Fawcett said, citing Islamic banking products, mortgages, car loans and wealth products. "These are all things this emerging confident African consumer is going to need." *(Reuters)*

China plans to open banks in Angola

China aims to install in Angola in the short term, branches of some of its major banks as part of the economic cooperation between the two countries, the Angolan Secretary of State for Cooperation said in Beijing.

Angela Bragança told Angolan news agency Angop at the end of the meeting of the Fifth Joint Commission for Bilateral Cooperation, concluded in Beijing that the Angolan side was interested in progressing towards cooperation in the financial sector. She also said a draft memorandum of understanding had been delivered to the Chinese delegation for analysis and added that promotion and reciprocal protection of investments was under discussion, whose formal agreement is expected to be signed before the end of 2015. The Secretary of State said other legal instruments were under negotiation along with introduction of facilities in the process of issuing visas.

The meeting of the Joint Commission agreed that financing and investment in energy, water and agriculture projects will now be a priority in the framework of the strategic partnership between Angola and China. The meeting set the following priority areas: irrigation, agricultural mechanisation, production and processing of goods, with a view to accelerating the country’s industrialisation. Bragança also said the meeting discussed the need for greater investment in infrastructure, mainly in roads and the railways, with a view to creating a strong logistics base in order to ensure the sustainability of future industrial development hubs. In 2014, trade between the two countries reached US$37.07 billion, and Angola is China’s second largest trading partner in Africa, after South Africa. *(Macauhub)*

New shareholder in Moza Banco depends on endorsement by Moçambique Capitais

The sale of the 49 % stake that Portugal’s Novo Banco owns in Mozambique’s in Moza Banco requires approval by the Moçambique Capitais company, the chairman of the Mozambican told weekly newspaper Savana.

Prakash Ratilal was speaking about the sale of the Portuguese bank, decided by the Bank of Portugal during the resolution process of Banco Espírito Santo (BES), which led to the capital it held in Moza Banco, through BES Africa, being passed on to Novo Banco. With a 51 % stake in Moza Banco, Moçambique Capitais has the right to veto any new shareholder in the bank, which is the fourth largest in Mozambique, under the terms of agreements previously accepted by BES Africa, said Ratilal. “We have the right to choose our ‘bride’; our new partner,” said the chairman of Moçambique Capitais. Media reports last week said the Atlas Mara investment company, founded by the former chief executive of Barclays, Robert Diamond, was interested in acquiring Novo Banco’s stake in the Mozambican bank. Commenting on the news, Ratilal said only that “several entities” had expressed an interest, declining to confirm an approach by Atlas Mara or to name other interested parties. However, according to the Portuguese press, the sale of Novo Banco’s stake in Mozambique in isolation is unlikely given the BES resolution process, which prevents the separate sale of the assets of the newly created Portuguese bank. According to the Moza Banco website it has a 6.97 % share of the Mozambican banking market, where 19 retail banks operate. To consolidate its position as the second largest shareholder of Moza Banco, BES Africa acquired 24.5 % of Geocapital – Gestão de Participações, an investment company of Macau gaming magnate Stanley Ho. *(Macauhub)*

Kenya's Diamond Trust Bank Q1 profit up 10 pct

Kenya's Diamond Trust Bank increased first-quarter pretax profit by 9.5 % year-on-year, helped by a growth in lending net interest income, it said. Banks in east Africa's biggest economy have reported strong first quarter earnings so far in 2015, buoyed by rising lending on the back of steady economic growth. Diamond Trust Bank, which focuses on services to small and medium-sized businesses, said pretax profit rose to 2.27 billion shillings ($23 million) in the three months to end-March. The bank, which has subsidiaries in Kenya, Burundi, Tanzania and Uganda, said net loans and advances to customers increased by 26 % to 144.87 billion shillings. Net interest income for the period also rose 9.1 % to 3.29 billion shillings. Earnings per share rose to 5.56 shillings, from 5.53 shillings in the comparable period last year. ($1 = 98.6500 Kenyan shillings). *(Reuters)*

Swiss Re in Talks for Nigerian Acquisition to Tap African Growth

Swiss Re AG, which has had an African presence for more than 60 years, said it's in talks with Nigerian insurers to buy minority stakes and benefit from growth in the continent's largest economy. "We'd like to have more investments in places like Nigeria," Frank O'Neill, Swiss Re's chief executive officer for the Middle East and Africa, said in an interview before the World Economic Forum on Africa in Cape Town. "The challenge is that the valuations are rich. We're looking for the right kind of partners at a price that makes sense. We're at an early stage in talks, but we're positive on the market opportunities." Swiss Re, the world's second-largest reinsurer, bought a minority stake in Kenya's Apollo Investments Ltd. from buyout firm LeapFrog Investments in October. Kenya is one of seven focus markets in Africa for Zurich-based Swiss Re, with the others including Nigeria, Ghana, Mozambique and Angola. While Swiss Re already reinsures companies in all of its target markets, it wants direct stakes in insurers to benefit from African growth rates that are higher than developed nations. Sub-Saharan African economies are expected to grow by an average 4.5 % in 2015, rising to 5.1 % next year, according to the International Monetary Fund. Nigeria's growth rate is forecast to be 4.8 % this year. "The direct investments aren't about having a footprint, it's to benefit from the growth in primary insurance," O'Neill said. "Africa is very attractive from a return perspective. The investments also give us a seat on the board and on-the ground-experience. We want more of them in the region."
Chairman's Wish The Kenyan investment was the first of its kind in Africa for Swiss Re. The company may target as many as three minority investments in Kenya and Nigeria, according to O'Neill, and it will continue to work with LeapFrog to identify any opportunities that arise when the private equity firm exits investments in Africa. "Africa is very small in the Swiss Re context, but it punches above its weight in terms of how management see the future potential," he said. "The chairman has told us to show our commitment to Africa."*(Bloomberg)*

Markets

Egypt bourse to reduce free float required to list on EGX 30

Egypt's stock exchange said it would reduce the free float required for new companies to list on its benchmark EGX 30, as part of structural changes to the index. Companies previously had to have a 15 % free float to list on the EGX 30. Under the new rules, which take effect on August 1, firms will be able to join with a minimum 5 % free float as long, as the market value of the float is at least 100 million Egyptian pounds ($13.1 million). The bourse also said it planned to launch a new equal-weighted index that would include the top 50 companies in terms of liquidity from August 1. The reforms aim to help reinvigorate trading in the Arab world's most populous country, which has struggled to win investor confidence during years of political and economic turmoil since a popular uprising in 2011. ($1 = 7.6300 Egyptian pounds). *(Reuters)*

Angola Central Bank Devalues Currency as Oil Slide Hits Revenue

Angola's central bank devalued its currency as the drop in oil prices cut the main source of government revenue and export earnings. The rate for the kwanza was weakened to 116.8745 per dollar, compared with 110.518, according to prices on Luanda-based Banco Nacional de Angola's website. The currency dropped 6.6%, the most since October 2009, to 117.7085 per dollar on the interbank market as of 1:11 p.m. in the capital, a record low. "It is rare to have such a drastic move in the kwanza," Charlie Hampshire, the London-based head of trading at INTL FCStone Inc., which specializes in frontier market currencies, said by e-mail. "A move of this nature has not occurred since 2009." Angola, Africa's second-largest oil producer, is struggling to cope with crude prices that have slid more than 40 % over the past year. The government in February cut its 2015 budget by 26 % to 5.4 trillion kwanza ($46 billion), while predicting the fiscal gap will reach 7 % of gross domestic product. The southwest African country plans to borrow $25 billion this year to plug the shortfall, according to a Finance Ministry proposal obtained by Bloomberg News. "They've allowed for continual depreciation in recent months, but this move is stronger," Samir Gadio, the head of African strategy for Standard Chartered Plc in London, said by phone. "There's a massive black market premium and the exchange rate was not in line with fundamentals. It's still misaligned. The balance of probabilities is still to the upside." *(Bloomberg)*

Panelists underscore need for integration of Africa's stock exchanges

African countries should support the integration of capital markets on the continent, panelists argued. Improving financial literacy and good return prospects will foster increased participation of domestic private investors. This was raised during a session titled "Africa's Stock Exchanges: The State of Play" at the ongoing 50th Annual Meetings of the African Development Bank in Abidjan. A regional exchange, panelists argued, will lead to more liquidity – the lifeblood of exchanges – by making stocks available to a wider range of investors. Moreover, the small size of African stock markets and the absence of liquidity remains a major impediment for foreign investors interested in investing in the region. "There is need to increase liquidity of the stock exchanges and develop more products. We are convinced that if the stock exchanges remain fragmented, they can not produce good results," said Edoh Kossi Amenounve of the African Securities Exchanges Association (ASEA) Executive Committee. Discussants also pointed out that deep, transparent and accessible capital markets are a vital element of the financial sector. As a vehicle for long-term investment finance and for diversification of funding sources, capital markets strengthen the overall economy and render it more resilient in the face of economic shocks. "The current sizes of the (different) stock markets do not reflect the size of the economy. We are missing opportunities to fund companies," said Uche Orji, the Chief Executive Officer (CEO) of the Nigeria Sovereign Investment Authority. He pointed out that most businesses still use bank loans, which are very costly to finance their investments. "There is need for proper regulation of the stock exchange," he said. Discussants also pointed out that capital markets panelists can improve risk-sharing and the efficiency with which capital is allocated to the real economy, boosting economic growth and welfare. However, despite these potential benefits, not all countries have well-developed capital markets. In her remarks, Frannie Leautier, Chief Executive Officer (CEO) of Mkoba, a private equity fund, pointed out that small and medium businesses still find it difficult to mobilize resources through the capital markets.

However, Leautier suggested that government should consider supporting small businesses by creating special purpose vehicles that can allow them to tap into the capital markets. In addition, governments can also offer guarantees to support small businesses. While stock exchanges on the number of stock exchanges on the continent have increased, only a few only a few of them – most notably the Johannesburg Stock Exchange – are active and well developed. Stock market capitalization remains low and, with the exception of Nigeria and South Africa, all Sub-Saharan stock exchanges are characterized by a relatively low number of listed companies. *(AFDB)*

South Africa's says Cell C to issue euro-denominated notes

South Africa's third-largest mobile phone operator Cell C said it planned to issue euro-denominated notes due in 2018 with a coupon of 8.625 %, a year after it restructured more senior debt. The unlisted operator owned by Saudi Oger Telecom did not give details on how much it hoped to raise. The company said it had mandated MedInvestment Bank SAL for the issue that should close before June 30. Last year, Cell C restructured debt worth 160 million euros ($178 million), including 82.7 million euros from its parent Saudi Oger, but declined to say then why it had done so. Cell C instigated a price war to grab market share from bigger rivals Vodacom and MTN two years ago, but has instead suffered as its own cash flows became tight. ($1 = 0.8993 euros) *(Reuters)*

Angola Said to Plan $25 Billion Borrowing to Fund Budget Gap

Angola plans to borrow $25 billion this year as the drop in oil prices threatens to swell the southwest African nation's budget deficit, government documents show. The country's central bank is seeking to raise $15 billion selling Treasury bills and bonds, with the balance to be funded by foreign debt, according to a Finance Ministry proposal obtained by Bloomberg News. Repeated calls for comment to the ministry's spokesman, Amilcar Xavier, weren't returned.

Angola, Africa's second-largest oil producer, is struggling to cope with crude prices that have slid more than 40 % over the past year. The government in February cut its 2015 budget by 26 % to 5.4 trillion kwanza ($49 billion), stalling efforts to complete a new airport, refinery and transit system, while predicting the fiscal gap will reach 7 % of gross domestic product. "Most of the foreign debt will be credit lines from countries such as China and Brazil," Markus Weimer, director of Faktor Consult Ltd., a London-based consultant, said in e-mailed comments. "A functioning public transport system and capacity to produce refined product are essential to keep down costs which in other countries have sparked protests. They're strategic priorities for the government."

The government of President Jose Eduardo dos Santos plans to decrease the share of tax revenue from oil to 42 % in 2015 from 72 % last year and diversify the economy by pushing projects in agriculture, manufacturing and mining. It has also updated tax rules to improve collection, while eliminating fuel subsidies to save an estimated $2.2 billion a year.

Debt Talks

The World Bank estimates Angola's GDP at about $124 billion, compared with $366 billion for South Africa and $522 for Nigeria. South Africa's National Treasury plans net borrowing of 173 billion rand ($14 billion) in the fiscal year through March 2016. By May 20, Banco Nacional de Angola, the central bank, sold 150.6 billion kwanza in bonds indexed to the dollar and 151.1 billion kwanza in non-indexed notes, a central bank document obtained by Bloomberg News shows. It also sold 302.5 billion kwanza in T-bills, 75 % of the amount set for this year, the document shows. The government has said it is negotiating $500-million loans each from Societe Generale SA and the World Bank, and $250 million from Goldman Sachs Group Inc. in separate deals. A May 11 decree by dos Santos increased a loan from London-based Gemcorp Capital LLP to $550 million from $250 million. The country has also said it's planning to issue a $1.5-billion Eurobond this year.

Conservative Price

"The budget is based on a very conservative oil price assumption of $40 a barrel," Victor Lopes, senior economist for sub-Saharan Africa at Standard Chartered Plc in London, said by e-mail. "With higher oil prices than this, borrowing requirements might eventually be lower than initially planned." Brent crude traded at $62.06 a barrel at 4:39 p.m. in Luanda. Angola's net foreign reserves fell to $26.2 billion in February from $27.5 billion in December, according to central bank data compiled by Bloomberg. The kwanza, which weakened 0.6 % to 110.9346 per dollar, has lost 6.7 % of its value this year, reaching a record low of 110.9377 earlier. Yields on $1 billion of securities due August 2019 and backed by the Angolan government rose three basis points to 6.57 %, the highest since April 8 on a closing basis, and compared with 6.39 % when they were issued in August 2012. Fitch Ratings reduced Angola's outlook to negative on March 27, forecasting a slowdown in the economy due to a decline in government spending, a shortage of dollar liquidity and uncertainty about the price of oil. Moody's Investors Service cut its outlook for Angola's credit rating to negative on March 3, two weeks after Standard & Poor's lowered the country's rating to four levels below investment grade. *(Bloomberg)*

Fund

Pembani has $345m to power up Africa

EMBANI Remgro Infrastructure Fund, founded by two of SA's richest men, has raised $345m to invest in electricity generation, transport and logistics in Africa. The fund, which is based in Johannesburg, was established in 2012 by Johann Rupert and Phuthuma Nhleko. Mr Rupert has a net worth of $8.2bn, according to the Bloomberg billionaires index, and Mr Nhleko is chairman of cellphone company MTN Group. The fund had raised $245m and could access a further $100m from the US government's Overseas Private Investment Corporation, CEO Herc van Wyk said. The fund planned to raise as much as $500m for developing infrastructure on the continent, Mr van Wyk said. "We see interesting opportunities coming up in the infrastructure space," he said. "The opportunity, first and foremost, is power generation." African countries, including the two biggest economies — Nigeria and SA — are beset by power shortages that limit economic growth, boost the cost of doing business and disrupt production. Mr Rupert is the chairman of investment company Remgro and controls the world's second-largest jewellery maker, Richemont.Mr Nhleko, who founded investment company Pembani Group, led Africa's biggest cellphone company, MTN, through its fastest rate of customer growth as CEO and is now chairman. The fund has partnered with Grindrod Freight Service to form GPR Leasing SA, which will lease rail rolling stock in Africa, and has invested in ETG, an agribusiness logistics company, it says on its website. Pembani Remgro is jointly owned by Remgro, Mr Nhleko and the investment team led by Mr van Wyk. *(BDLive)*

Tech

Africa to receive $33bn via mobile money this year

Since M-Pesa was launched in 2007 by Vodafone, mobile money has become an African phenomenon. The continent continues to lead the rest of the world in the adoption and usage of the payment technology. This progress is expected to attain a new leap according to WorldRemit, a global money transfer company. The UK-based money transfer firm has predicted that the amount of money that will sent to sub-Saharan Africa via mobile technology will reach $33 billion this year.

As Africa's largest economy, Nigeria alone is projected to capture more than half of these funds while Kenya, South Africa and Uganda will also take significant chunks as they represent the continent's largest money transfer market. WorldRemit reports that half of the 261 mobile money service providers across the globe are in sub-Saharan Africa.

Average mobile banking penetration across the continent hovers around 33 % according to the African Development Bank (AfDB). But this is an aggregate figure that fails to capture the level of penetration in each sub-region. For instance, South Africa can boast of an 88 % mobile banking penetration, though countries like Burundi trail behind at 7 %. These figures are expected to increase as the necessary key drivers, including internet penetration and financial inclusion, continue to appreciate. Internet usage in the major mobile money markets, on the average, hover around 40 %. Also, government intervention and regulation in the African financial services industry have increased the stability of financial institutions, which are now able to provide more financing packages to help telecommunication companies expand their coverage and quality of offerings.

Despite these achievements, a huge gap remains that could potential be exploited by mobile money. "There are currently two and a half billion unbanked people in the world," says Alix Murphy, Senior Mobile Analyst at WorldRemit. "One billion of these people already have access to a mobile phone and so a potential means of accessing financial services." The case for further mobile money adoption across the continent is clearly presented in the compelling value proposition it offers Africa. Apart from its celebrated role in boosting financial inclusion across the region, Mobile Money also saves the continent some $2 billion spent on inefficient transfer solutions every year. *(Ventures Africa)*

MasterCard Sets up Shop in Somalia-The company has started to issue credit cards in the strife-torn country

MasterCard Worldwide this week started issuing credit cards in Somalia in a bid to tap the $1.6 billion annual remittances business that has been disrupted by U.S. and U.K. banks suspending their services on fears of inadvertently being involved in money laundering or terrorist financing.

MasterCard is linking up with Somalia's Premier Bank and has already distributed its first credit cards to Somalis, after a three-year process to set up shop in the strife-torn nation in the Horn of Africa, said Daniel Monehin, division president for sub-Saharan Africa said. The move signals Mastercard's willingness to undertake risks in Africa, even

going into the continent's most dangerous corners ahead of its key competitor, Visa. It also heralds a first step in lifting the effective financial blockade of Somalia. "We're not lowering our standards, we are keeping with all anti-money-laundering regulations," Mr. Monehin said in an interview on the sidelines of the World Economic Forum for Africa in Cape Town. He said he expected the cards to be used for ATM withdrawals, to begin with. Somalia has been increasingly financially cut off from the rest of the world, leaving its vast and wealthy diaspora unable to send money back home. After several banks in the U.S. and the U.K. withdrew their services from Somalia, citing increasing regulatory costs, yet another blow came earlier this year when Kenya, home to a large Somali community, cracked down on informal money-transfer systems known as hawalas that were key in Somali remittances. "If the country's not under sanctions, it's open for business," said Mr. Monehin of the decision to tap the Somali market, adding that MasterCard won't charge over and above what it charges elsewhere because of the tough operating environment there, although additional fees may be extracted by the partner bank.
Somalia has been in the throes of a civil conflict for a quarter of a century. Al-Shabaab, an al Qaeda linked Islamic militant organization, is engaged in constant battle with the local army and other African forces from Kenya and Ethiopia. It ranks as one of the world's most corrupt countries by Transparency International. Remittances sent back home to Somalia are crucial for the majority of families and businesses and the government is keen to see MasterCard and other formal financial-services providers take root in the country, "With the arrival of MasterCard in Somalia it is a major signal that in addition to hawala…there is now a safer, formal, more secure and more traceable way of transferring funds to Somalia," said Abdirahman Yusuf Ali Aynte, the Somali minister of Planning and International Cooperation in an interview. And while he doesn't expect Somalis to stop using hawalas any time soon, Mr. Ali Ayntesaid that his government shares the concerns of British and American regulators and is eager to see more of the remittances business transferred to formal providers like MasterCard. "From a government perspective we have the same concerns that the U.S. and the U.K. have, but we are much more sympathetic to our population, so we are not able to cut it [hawala] off at the moment. But if we can transition to a more secure traceable safe recognized system, that is our goal," he said. *(Wall Street Journal)*

Kenya's KCB signs up 1.8 million mobile banking customers

Kenya's biggest bank by assets, KCB, has signed up 1.8 million customers for its mobile phone-based service since it was launched in March and is on target for 10 million users within a year from now, its chief financial officer said.
Mobile technology is seen by executives as the future of banking in the east African country. Other companies such as Equity Bank and Standard Chartered Kenya have invested in systems to let users access accounts any time.
The KCB M-Pesa service, operated jointly with telecoms operator Safaricom, allows users to deposit cash and borrow up to 1 million shillings ($10,400) for a period of up to six months via mobile devices. "KCB has been able to increase its retail footprint by opening over 1.8 million new accounts," Lawrence Kimathi, the newly appointed CFO said in an interview. KCB has lent more than 1.37 billion shillings to more than 400,000 borrowers on KCB M-Pesa, he said, adding the service was on course to hit a target of 10 million users within a year. Chief Executive Joshua Oigara said in March he expected KCB M-Pesa to grow to account for 20-30 % of its lending, although he did not give a timeframe. Analysts say the bank has secured a swift take-up of its service by partnering with the existing M-Pesa service rather than setting up a system from scratch as others have, even if it means some earnings are shared. The financial details of the deal have not been disclosed. Safaricom's M-Pesa, launched in Kenya in 2007 and aimed at people who did not have access to conventional banking and branch accounts, allows users to pay for goods, pay bills, make deposits and withdraw cash from authorised agents. Safaricom is 40 % owned by Britain's Vodafone. KCB, which also operates in Uganda, Tanzania, Rwanda, South Sudan and Burundi, serves 4.5 million customers through its traditional banking network. KCB M-Pesa is currently available only in Kenya. Kimathi also said KCB planned to expand its traditional network into markets such as Ethiopia, Somalia, Djibouti and the Democratic Republic of Congo over the next five years. "There is quite a bit of business that Kenyans do in Somalia now," he said. ($1 = 96.3000 Kenyan shillings). *(Reuters)*

INFRASTRUCTURE

Ivory Coast to push forward with infrastructure spending

Ivory Coast plans to steam ahead with a post-war strategy of fostering economic growth through heavy infrastructure investments, the budget minister said, claiming the resulting increased debt load remains sustainable.
Following the end of a decade-long crisis that ended in 2011, the government, under the stewardship of President Alassane Ouattara has spent billions of dollars to overhaul the power sector and build highways and bridges.
Abdourahmane Cisse said after years of neglect Ivory Coast is now making up for lost time and working hard to attract investors to revitalise French-speaking West Africa's largest economy. "If you look at the budget in 2010, the percentage that was affected to infrastructure was 15 %. In 2015, it's about a third of the budget," he told Reuters. "We firmly believe that growth will come from the return on investments that we are doing." Economic growth has averaged around 9 % since 2012. And while investors are starting to take notice, much of the improvements aimed at drawing them to Ivory Coast are being financed through debt. A raft of African sovereign issuances has raised concerns, including from the International Monetary Fund, that some countries may be taking on debt they will struggle to pay

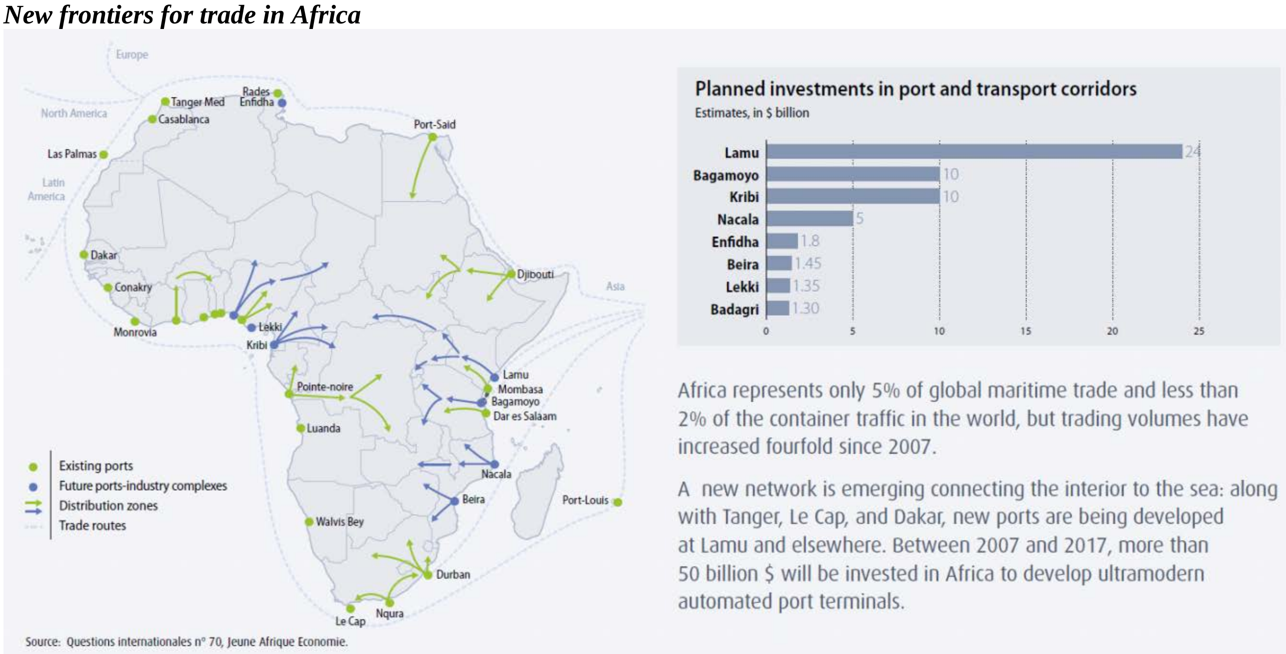
back. Ivory Coast issued a $750 million Eurobond last year and another for $1 billion earlier this year. It has plans to issue its first sukuk of around 150 billion CFA francs ($251 million)later in 2015 as part of plans to raise an additional $1.1 billion before the end of the year. Cisse said the government had recently signed an $800 million loan deal with China Eximbank to fund upgrades to the port in its commercial capital Abidjan. "If you find deals like these with these conditions, we'll sign them every time. It's more than 20 years, a nine to 10-year deferment period, less than two % interest rate," he said, referring to the Chinese loan. But despite Ivory Coast's current heavy borrowing rate, Cisse said the country's debt load was not a cause for worry. Speaking on the sidelines of the African Development Bank's annual meetings in Abidjan, he said the country's debt-to-GDP ratio was around 35 %. The fiscal deficit was 2.3 % in 2014 and is expected to increase to a manageable three % this year, he said, adding that the country was also looking to boost internal revenues and take advantage of more public-private partnerships. However, he added that the government had not yet ruled out issuing another Eurobond in 2016. "The role of the government is to invest in the areas where the private sector normally won't ... That's basically what we're doing now and what we will continue to do in the next years." ($1 = 597.4700 CFA francs) *(Reuters)*

Expanding access to infrastructure

Among the various constraints on innovation in Africa, the huge deficit in infrastructure stands out as the most basic. Thirty African countries face chronic power outages. High transport costs add 75% to the price of goods. Poor water and sanitation costs some 5% of GDP. While Internet penetration is increasing quickly in Africa, it is still well behind that of other developing regions. All of these conditions are barriers to the adoption of the new technologies and methods of production. And yet, the infrastructure deficit in Africa is one of the factors that makes innovation imperative. Africa cannot afford to wait for the slow build-up of its infrastructure stocks over the next two decades. It needs to find innovative ways to fill the gaps and work around the deficiencies.

Electric power is an obvious precondition for the adoption of many new technologies. The electrification rate has increased to 42.5% across Africa (but just 24% in low-income countries), as compared to 77% across the developing world. This means that 620 million people and 10 million small and medium-sized enterprises (SMEs) are without access to power. The rate of electrification is not keeping up with population growth. Since 2000, an additional 145 million people in sub-Saharan Africa gained access to electricity, but the total without access still rose by 100 million. The wide gulf between electrification in urban areas, which averages 65%, and in rural areas, at just 28%, is a significant driver of inequality. And even those who do have access to electricity face regular outages and prices that are on average three times those of Europe or North America. Losses across poorly maintained networks are double the global average. The lack of reliable power forces firms to rely on back-up generators running on diesel or gasoline, at an estimated total fuel cost of $5 billion in 2012. The lack of power is a major barrier for firms wishing to invest in new plant and equipment. Yet there have been some major successes at the national level, showing what can be achieved through sustained commitment. In Ghana, 25 years of investment have boosted the electrification rate above 70%. Around 700 million Africans live without clean cooking facilities. The use of biomass — which remains Africa's dominant energy source — poses both health and environmental threats. Foraging takes up a disproportionate amount of time, especially for women and children.

New frontiers for trade in Africa



The predominant form of lighting in African homes is kerosene (paraffin), which costs poor households $100 for the equivalent of a kilowatt hour — more than 100 times the cost of lighting in wealthy countries. Indoor pollution from unimproved stoves and lamps is estimated to cause 600 000 deaths in Africa each year.

However, the increasing availability of clean energy is already beginning to make a difference. The use of off-grid and mini-grid solutions is growing rapidly. South Africa is using solar and minihydropower plants to provide power to remote areas; by 2014 it had successfully powered 700 schools, 600 health clinics and 800 other public buildings. While solar power remains relatively expensive, exchanging an inefficient kerosene lamp for a solar appliance that can also charge a mobile phone is an increasingly attractive proposition. The latest figures suggest that around 5% of the Africans without access to electricity grids are now making use of solar lighting. With most of Africa enjoying 320 days of bright sunlight each year, the potential for solar power and other renewables will grow exponentially as technology improves and costs come down.

Transport infrastructure is another basic condition for economic transformation and inclusive growth. Affordable, all-season transport connections are key to linking African producers to each other, to their sources of inputs and to their markets in Africa and beyond.

Investment in transport infrastructure is increasing, thanks to major Africa-wide programmes like the Programme for Infrastructure Development in Africa, but it is still well short of what is required. On average, African countries invested 15–25% of their GDP in transport infrastructure between 2005 and 2012; by comparison, India invested 32% and China 42%. As a result, Africa's transport infrastructure is improving but not yet catching up with other developing regions of the world.

Roads are the dominant form of transport in Africa, carrying 80% of goods and 90% of passengers. Africa's road density (km of road per km2 of territory) reached 8.2 in 2014, compared to 7.9 in 2010.

A high proportion of the road network is unpaved and therefore unusable in the wet season. Just 35% of Africans have access to an all-season road, compared to 67% across all developing countries.

Once again, however, the figures show that the problem can be addressed through sustained investment programmes. Ethiopia has succeeded in reducing the average distance to an all-weather road from 21 km in 1997 to 12.4 km in 2012, with a significant impact on poverty and food security. Rail remains underdeveloped across the continent, with few additions since colonial times.

Ports are critical for allowing African producers to access world markets, for both inputs and exports. Africa has 64 ports in total, but many are poorly equipped and offer long processing times and poor handling rates. Shipping costs to and from Africa are on average 50% higher than between other continents.

However, Africa's regional hubs — such as Durban, Dar es Salaam, Mombasa and Djibouti — are all developing, and new regional capacity is emerging (see Figure). For example, Senegal's Dakar Port Container Development Project has created 24-hour operating capacity, reducing the waiting time for ships from 15 to 2 hours. Air connections are also becoming increasingly important, especially for landlocked countries. These connections are key to the development of perishable exports, such as cut flowers, meat and vegetables. Air freight costs remain high because of low volumes of passenger traffic, high taxes and limited infrastructure. Ethiopian Airlines has nonetheless doubled its fleet capacity over the past 5 years and plans further expansion. *(AFDB)*

ENERGY

Zambia Cuts Power Output After Copper Producer's Dam Levels Drop

Zambia will probably cut power generation by more than a quarter as poor rainfall causes dam levels to drop in Africa's second-biggest copper producer, Mines, Energy and Water Development Deputy Minister Charles Zulu said.

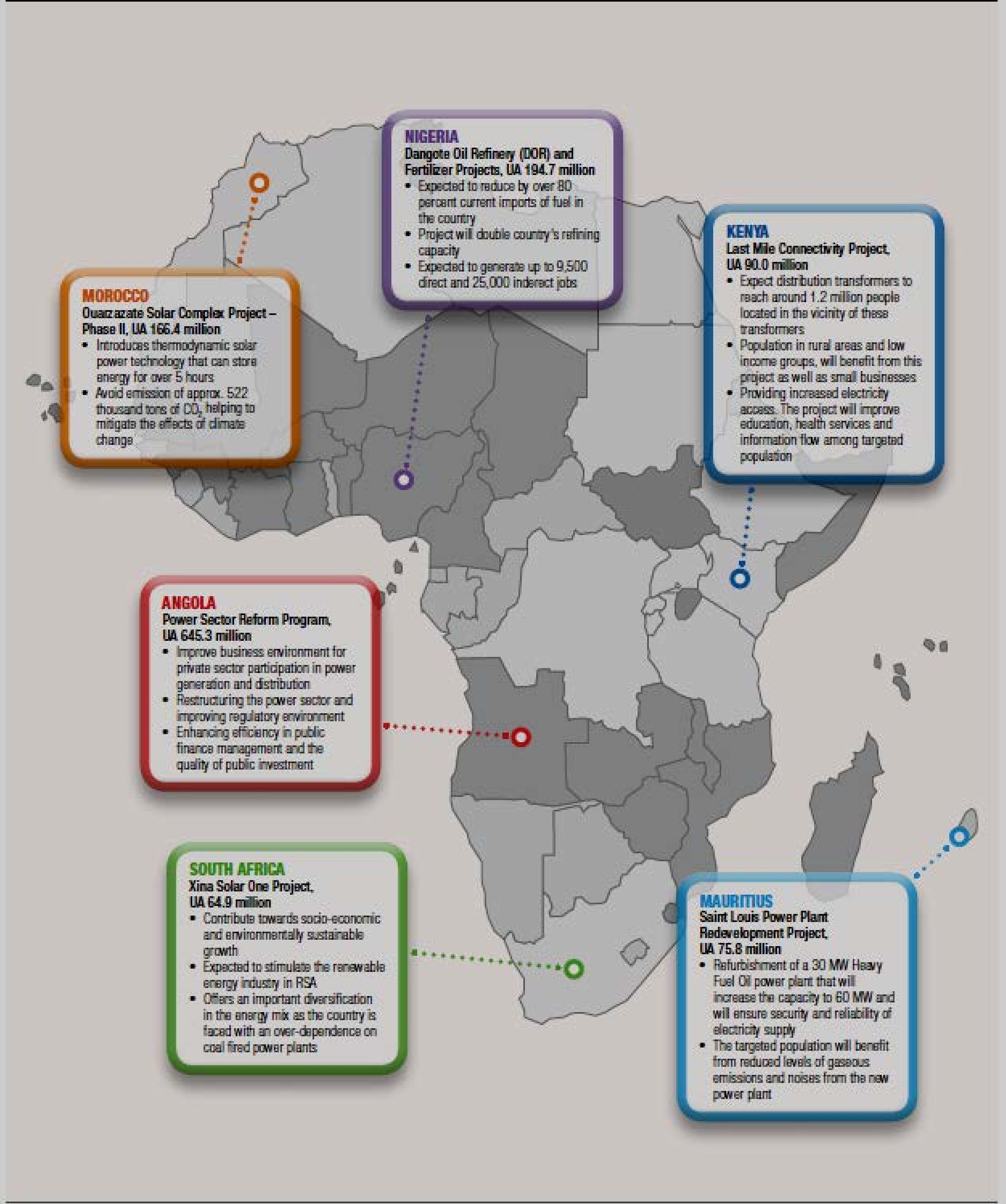
The country may reduce power supply by as much as 600 megawatts from about 2,200 megawatts, he said by mobile phone. Mining companies will be affected and Zesco Ltd., the state-owned power utility, hasn't decided by how much they will need to decrease their usage, Zulu said. "According to Zesco, all customers have to contribute to this," he said. Zambia relies on hydropower for more than 90 % of its electricity and water levels have declined at the Lake Kariba and Kafue Gorge plants, the source of three-quarters of that supply. Glencore Plc and First Quantum Minerals Ltd. are among mine operators that use more than half the southern African nation's power. The country has already cut electricity supplies by 300 megawatts and will probably double this gradually over 2015, Zulu said. Peak demand is 1,900 megawatts to 2,000 megawatts, he said. "Obviously, demand is now higher, and load shedding will increase," he said, using a local term for rolling blackouts. *(Bloomberg)*

Highlights of Public and Private Sector Energy Projects Approved in 2014

Bank Group approvals to the energy sector in 2014 stood at UA 1.46 billion, of which UA 1.32 billion was in loans and grants, UA 127.8 in million Special Funds, and UA 8.2 million in guarantees. Public-sector financing took up UA 1.01 billion (76.5 %) while private-sector financing stood at UA 310.0 million (23.5 %). Map 4.1 presents major public and private-sector energy projects approved in 2014.

The single largest approval for the sector was the UA 645.3 million, 48.9 % of total energy approvals, for the Angola Power Sector Reform Program, a public-sector initiative. The program will expand access to electricity at affordable rates for the rural communities, especially who comprise 45.2 % of Angola's population. It will also cover a restructuring of Angola's power sector, and regulatory environment. Another major approval for the sector was the UA 194.7 million loan for the private-sector-financed Dangote Oil Refinery and Fertilizer program. This aims to reduce Nigeria's current fuel imports by 80 % and address the country's high oil import bill by doubling refining capacity. Further, the construction of the refinery will create temporary jobs during construction, and 2,900 full-time jobs when it is fully operational.

Other approvals included two renewable energy projects, namely, the Ouarzazate Solar Complex Project (Phase II), a public-private partnership in Morocco (UA 166.4 million); and South Africa's private-sector-funded Xina Solar One operation (UA 64.9 million). This project is a key component in the South African government's renewable energy program.



Source: AfDB Energy, Environment and Climate Change Department

Siemens Signs $9 Billion Power-Plant Deal With Egypt

German company describes order as the largest in the firm's history

Siemens AG SIEGY 2.70 % received an order to build gas and wind power plants in Egypt valued at €8 billion ($9 billion), which the German company described as the largest single order in its history.

Siemens signed contracts for the order, which will boost Egypt's power production, with Egyptian President Abdel Fattah Al-Sisi at Germany's Federal Ministry for Economic Affairs and Energy. Siemens will deliver three ready-to-use gas-steam power plants with a capacity of 4.8 gigawatts each. The plants, which will go into operation in stages starting in the summer of 2017, will have a total capacity of 14.4 gigawatts, Siemens said. Loans for the order are "largely secured through export credit insurers in Germany and Denmark," Siemens said without elaborating.

In addition, Siemens is building up to 12 wind parks and about 600 wind turbines with a total capacity of 2 gigawatts at the Suez channel and in the Western Nile region. The German industrial company said that it will create up to 1,000 jobs in the North African country, since the rotor blades for the wind plants will be produced locally.

The contracts, based on declarations of intent signed last March at the Egypt Economic Development Conference, are aimed at increasing Egypt's power production capacity by 16.4 gigawatts, a plus of 50% compared with current capacity. Egypt's order for gas-steam power plants is of particular importance for Siemens, which hasn't sold a single fossil fuel-fired turbine in Germany since the country's exit from nuclear and fossil-fuel energy. *(Wall Street Journal)*

Rupert-Nhleko African Fund Raises $345 Million for Power

Pembani Remgro Infrastructure Fund, founded by two of South Africa's richest men, has raised $345 million to invest in electricity generation, transport and logistics in Africa. The Johannesburg-based fund was established in 2012 by Johann Rupert, who has a net worth of $8.2 billion according to the Bloomberg Billionaires Index, and Phuthuma Nhleko, who is the chairman of mobile phone company MTN Group Ltd.

The fund raised $245 million and can access a further $100 million from the U.S. government's Overseas Private Investment Corp., Chief Executive Officer Herc van Wyk said by phone. The fund plans to raise as much as $500 million for developing infrastructure on the continent, he said. "We see interesting opportunities coming up in the infrastructure space," van Wyk said. "The opportunity, first and foremost, is power generation."

African countries, including the two biggest economies, Nigeria and South Africa, are beset by power shortages that limit economic growth, boost the cost of doing business and disrupt production. Rupert is the chairman of investment company Remgro Ltd. and controls the world's second-largest jewelry maker Richemont. Nhleko, who founded investment company Pembani Group, led Africa's biggest mobile phone company MTN through it's fastest rate of customer growth as chief executive officer, and is now chairman. The fund has partnered with Grindrod Freight Service to form GPR Leasing South Africa, which will lease rail rolling stock in Africa, and has invested in ETG, an agribusiness logistics company, it says on its website. Pembani Remgro is jointly owned by Remgro, Nhleko and the investment team led by van Wyk. *(Bloomberg)*

Nuclear programme set to receive new financing model

South Africa's nuclear power programme is likely to be financed following power-purchase deals backed by Eskom and government, which in turn will be funded through electricity tariffs, says Energy Minister Tina Joemat-Pettersson.

SA is planning one of the largest expansions of nuclear power in the world with plans to build 9.6GW of generating capacity, housed in six to eight reactors. However, details on the financing and affordability of the programme are scarce and being kept under wraps by government officials. The procurement would be completed by the end of the financial year by which time "a strategic partner or partners" would be finalised, Department of Energy officials said in Parliament. Ms Joemat-Pettersson and departmental officials were briefing MPs at Parliament's portfolio committee on energy on the nuclear build programme. She said the nuclear procurement would be done in the same way that energy had been procured from independent power producers (IPPs) of renewable energy.

The renewable IPP programme has been hailed a success on a number of fronts. It introduced a competitive bidding process in which private-sector companies struck deals with the government based on the price per KWh at which Eskom would guarantee to buy the energy they generated. The minister said the IPP model "was the best model we have. Once Eskom gave the IPPs a power-purchase agreement they could raise capital on global markets but most of it was raised in SA from commercial banks". She said "the IPP programme was quite informative in term of showing how cost-reflective tariffs can be used to fund independent power producers. We have learnt we can't just use the Medupi-Kusile model".

Acting director-general Wolsey Barnard said in an interview after the committee meeting that the nuclear procurement would likely be run either by the IPP office, which is part of the Department of Energy, or by a similar office established to procure nuclear power.

As is the case with the renewable IPPs, successful bidders will be determined not only on price, which carries a 70% weighting. Dr Barnard said in the case of nuclear procurement, the weight that price would carry was still to be decided. Government has stated that there are a number of other factors to be considered such as the industrialisation spin-offs and local content promised in the bid.

But while Eskom and the government are able to strike power-purchase agreements with private producers, Eskom's cost recovery and sustainability will depend on full recovery through the tariff. Neither Eskom nor the government have control over the tariff, which is set by the National Energy Regulator of SA (Nersa) on the basis of representations by Eskom and all stakeholders. In Eskom's last multiyear price application, Nersa granted an 8% hike despite Eskom's request for 16%. The funding gap has in large part been responsible for Eskom's financial weakness.
In anticipation of this potential hurdle, Ms Joemat-Pettersson said that she would shortly table an Energy Regulator Amendment Bill "which would seek to give us an appeals authority to Nersa, because at the moment Nersa grants a licence or sets a tariff and there is nowhere to appeal". Neither Ms Joemat-Pettersson nor department officials answered questions on the likely effect of the nuclear build on the electricity-price trajectory. A power-purchase agreement with a nuclear vendor would need to be sufficient to pay back the capital and financing costs, cover operating costs and provide a return on investment. Deputy director-general for nuclear energy Zizamele Mbambo said officials insisted that this modelling had been done but could not disclose the cost-per-kWh for nuclear energy without sabotaging the bidding process.
Democratic Alliance shadow minister for energy Gordon MacKay said on the basis of the information presented "one can only conclude that the Department of Energy intends to fund the nuclear programme through massive electricity price hikes. This will inflate the cost of running a business, cause widespread job losses and make electricity unaffordable for many South Africans." *(BDLive)*

Jindal says to build $400 mln Mozambique power plant

Jindal Steel and Power's Africa unit said it plans to build a $400 million power station in Mozambique and sign an agreement to sell electricity to the southern African country by year-end. "We can start building immediately after commercial agreement, it's a 30-month project for the 150 megawatt plant," Ashish Kumar, Jindal Africa CEO told Reuters on the sidelines of the World Economic Forum African conference.
Kumar said the company's Chirodzi coal mine in Mozambique, producing around 3 million tonnes per annum (MTPA), could also be ramped-up as planned to 10 million MTPA within 18 months once a global coal commodity price slump reverses. The open cast coal mine with a proven reserve of 700 million tonnes and an expected life-of-mine of 25 years, exported its first shipment of coal in the first quarter of 2013. Lower global coal prices and logistics constraints have dented Mozambique's ambitions to export its massive coal reserves, although Brazilian miner Vale SA will start exporting coal in the third quarter. *(Reuters)*

Solar lamp company adopts innovative rural distribution model in Africa

In 2005 US engineering student Patrick Walsh went to work with a charity in rural India. He encountered a population that relied on kerosene lamps as a source of lighting, but one willing to pay for a better product. He later teamed up with two former classmates to start Greenlight Planet. The company designs and manufactures the Sun King brand of portable, rechargeable solar lights and solar phone chargers. In 2009, their first year of operation, the company sold 10,000 solar lamps in India. Since then Greenlight Planet has shifted 3.5 million units across 40 countries in Asia and Africa. Its target is 4.5 million lamps by the end of this year, and more than doubling that to 10 million by end 2016. "Africa will account for at least half of our market… if not more," says Radhika Thakkar, vice president of global business development.

Why Africa

Thakkar has spearheaded the company's international expansion. East Africa was one of the first markets she focused on. "We knew there was a demand and therefore a market. Our first partnership, launched in East Africa, was established in early 2010 and a year later half of our global sales were coming from Africa even though we didn't have a single person based here." Millions of people in sub-Saharan Africa do not have access to electricity. There are also many who are technically connected to the grid but suffer inconsistent power supply. "In [Ghana's capital] Accra, an extremely successful high-growth city, there are frequent power cuts even in affluent neighbourhoods. So you don't have to go very far to find a house challenged by power interruptions," says Thakkar. This presents immense growth opportunities for Greenlight Planet. Its Sun King solar lamps are currently available in 25 countries in Africa. The company sells four different lamps manufactured in China which retail for between $10 and $40.

Using 'village entrepreneurs' for last mile distribution

Selling to customers based in remote areas can be challenging but Greenlight Planet has adopted innovative distribution models that have helped it navigate logistical hurdles.
In Kenya and Uganda, it has replicated a direct sales model that has been successful in its Indian operation. The model involves using 'village entrepreneurs', who are often community members such as teachers and farmers, to sell lamps on a commission basis. "The sales agent is someone from the community so there is some degree of familiarity. I know you are not going to cheat me when you tell me there is a two year warranty. If I buy the lamp I know how to track you down."
Greenlight Planet started using direct sales agents in India after facing difficulty promoting its lights. Some potential customers were not familiar with solar lamps and needed demonstrations. Today it has 6,500 direct sales agents in India, Kenya and Uganda. Thakkar explains distributing through small shops was not a viable distribution model

because most of them focus on fast-moving consumer goods. Additionally, when buyers go to shop they already know what they want to buy and shopkeepers are focused on selling what people want, not promoting new products.

Greenlight Planet has also forged partnerships with other organisations including microfinance institutions, a telecommunications company and farmer cooperatives to make its product accessible. “We look for channel partners that have an existing relationship with our target customer and leverage their brand, their access and their market knowledge to make our products available through them.”

Lessons from Africa applied to India

Greenlight Planet is also taking successful models in Africa to India. The company has been working with microfinance institutions in Africa that offer credit to buyers. “So based on the success of working with these aggregate groups here, we’ve been looking for them in India and now have a really healthy channel of microfinance partnerships in India,” she says.

The company is also leveraging the network of postal offices in India following a successful roll-out in some African countries. With the advent of mobile telephony, demand for postal services has declined, yet they have a wide network of physical infrastructure in most countries. Greenlight Planet uses local post offices to stock its lanterns. “It is still a trusted institution and there is always one in close proximity. Following some trials done with different markets in Africa we started speaking with the Indian postal service as well and began partnerships with them,” says Thakkar. *(How we made it Africa)*

Old Mutual in Talks for Stake in Zambian Hydropower Plant

Zambia’s Copperbelt Energy Corp. is in talks with Old Mutual Plc, Africa’s largest insurer, to sell it a stake in a $220 million hydropower project in the country’s northwest. “We are speaking to them and they seem to be very interested,” Hanson Sindowe, chairman of the power supplier, said in an interview in Lusaka, the capital of Africa’s second-largest copper producer. “They are carrying out their own due diligence.”

Copperbelt Energy, the biggest power supplier to Zambia’s mines, plans on completing financing for the Kabompo Gorge hydropower project by the end of the year, Humphrey Mulela, who heads the unit overseeing its development, said in a separate interview. The 40-megawatt plant will help ease an electricity deficit that could disrupt mining operations this year, Sindowe said.

Copperbelt Energy, or CEC as it’s also known, plans to sell a 40 % stake in Kabompo Gorge, and to fund the remaining 60 % through debt, according to Mulela. The company has hired Standard Bank Group Ltd. to arrange the debt. Copperbelt has also been talking to other potential investors on the equity stake, he said. “There are a number of them and one of the main ones is Old Mutual,” said Mulela. “They’ve been proposing to look for other companies to come on board so that they share the risk.”

Old Mutual Alternative Investments, through its IDEAS Managed Fund, is in early talks with CEC, Sean Friend, portfolio manager at the fund, said in an e-mail. The company sees “significant potential” for hydropower in the region, he said. CEC intends to complete Kabompo Gorge in 2018, Sindowe said in a speech earlier, when the company signed an investment agreement for the project with the Zambian government. *(Bloomberg)*

MINING

Zijin Surges After Buying Into Barrick, Ivanhoe Mines

Zijin Mining Group Co.’s shares jumped to the highest in three years in Hong Kong trading after China’s most valuable gold producer outlayed $710 million in two deals that extend its reach across the globe. Zijin will buy a 50 % stake in Barrick Gold Corp.’s Porgera mine in Papua New Guinea for $298 million, according to a statement. Separately, the company based in China’s Fujian province, agreed to acquire 49.5 % of Ivanhoe Mines Ltd.’s Kamoa copper project in Congo for $412 million. Ivanhoe shares jumped as much as 17 %. “A strategic partnership with Barrick is an excellent fit for Zijin and a powerful combination as we look to expand our business globally outside of China,” Chairman Chen Jinghe said in the statement. Zijin, which will look at collaborating with Barrick on future projects, jumped 15 % to HK$3.45 at 10:14 a.m. local time, the highest since March 13, 2012. It also said its board approved a plan to raise as much as 10 billion yuan ($1.61 billion) in a private share sale. The investment in Kamoa helps Ivanhoe, the explorer founded by Robert Friedland, develop mines in Africa and comes after Zijin was blocked from entering Congo five years ago. The Chinese company said last August it was looking for acquisitions on the continent. Ivanhoe has been in “regular communication” with Congolese authorities regarding the sale to Zijin, Emery Mukendi Wafwana, a lawyer for the company, said by phone. Ivanhoe will complete the sale through Congo’s Portfolio Ministry, which controls the government’s 5 % stake in Kamoa, Wafwana said.

Congo Government

Congolese Mines Minister Martin Kabwelulu said by text message he was unaware of the sale. Ivanhoe has offered to sell an additional 15 % to the government at market rates.

Congo blocked a previous attempt in 2010 by Zijin to enter the country, Africa’s largest copper producer. The ministry refused to approve the company’s $284 million bid for a stake in the Deziwa and Ecaille C copper and cobalt projects because it said the sale violated government regulations. The operations are now fully owned by state-owned miner Gecamines. Zijin has an option to buy an additional 1 % stake upon arranging project finance for 65 % of Kamoa’s first phase of development, the company said in a joint statement with Ivanhoe. Should it exercise that option, Zijin will arrange project financing for subsequent development phases, the parties said.

Expansion Possibility

The first phase of Kamoa entails developing a 100,000-ton copper mine at an estimated cost of $1.4 billion. A smelter will be constructed in a second phase in addition to other expansions that will take annual output of blister copper to 300,000 tons. “We will examine the possibility of expanding the Kamoa project beyond the currently contemplated second phase,” the companies said in the statement. The latest agreement follows Zijin’s March acquisition of 9.9 % of Vancouver-based Ivanhoe, which also explores for platinum in South Africa.

For Barrick, the venture with Zijin helps the world’s biggest gold producer forge closer ties with China, the largest consumer of the precious metal. “A 21st century mining company with global reach and the intention to become an industry leader must, by definition, have a distinctive relationship with China,” Barrick Chairman John Thornton said in the statement. “Our partnership with Zijin is the first step in a long-term strategic relationship with one of China’s leading mining companies.”

Barrick Strategy

The last few years have been tumultuous for Barrick, with the departure of two chief executive officers, a sliding gold price and tumbling shares. That forced the company to sell assets as it targets cutting net debt by $3 billion, or 29 %, this year. Barrick said it sold a mine in Australia for $550 million. Thornton, a former senior banker at Goldman Sachs Group Inc. who replaced founder Peter Munk in April, has said he’s applying a “back to the future” strategy at the Toronto-based company in a bid to return it to the nimble, entrepreneurial roots that first made it successful. Ivanhoe advanced 7.8 % in Toronto trading to C$1.25. Barrick dropped 3.7 % to C$14.56, giving the company a market value of about C$17 billion ($13.7 billion). Credit Suisse Group AG advised Barrick while BMO Capital Markets advised Ivanhoe. *(Bloomberg)*

South Africa's Impala Platinum cancels plans to sell Marula mine

South Africa's Impala Platinum (Implats) has cancelled plans to sell its Marula mine, the world's second-biggest producer of the metal said, adding it would instead aim to increase output at the operation. Implats said in February it would sell Marula mine to strengthen its balance sheet after a five-month wage strike last year that crippled production across the sector. The company said in a statement it believed "shareholder returns will be best obtained by focusing on strategic interventions that will optimise performance at this operation". It would aim to cut costs at the mine and grow output to 90,000 ounces per annum, Implats said. Marula mine, which was not directly hit impacted by the record strike, produced 78,500 ounces of concentrate platinum in the firm's 2014 financial year.

As part of its strategic review, Implats had said it would revamp its Rustenburg mines to boost productivity while also halting the expansion of the Mimosa mine in Zimbabwe because of export tax. Shares in Impala were down before the announcement, and traded at 1.3 % lower at 1350 GMT, compared with a 1.2 % decline in Johannesburg's Platinum mining index. *(Reuters)*

Governor of Congo mining hub Katanga warns against tax hikes

The powerful governor of Democratic Republic of Congo’s Katanga province warned against significant tax hikes in a proposed new mining code amid a recent decline in copper prices. The southeastern province accounts for nearly all of the vast central African state’s copper production, which surpassed 1 million tonnes for the first time in 2014. Congo vies with Zambia to be the continent’s top producer of the metal. A revision of Congo’s 2002 mining code proposed by the mines ministry has raised fierce objections from miners, who say that its tax and royalty increases would chase off new investment.

In an interview in the provincial capital of Lubumbashi, Moise Katumbi, who worked as a mining executive before becoming governor in 2006, criticised the Kinshasa central government for a lack of consultation with local officials and miners. “I am a little scared because with the price of copper today, it wouldn’t be good to make the business climate less secure,” Katumbi said.

The mines ministry submitted a draft version of the new mining code to parliament in March but it has not yet been taken up. A representative of Congo’s chamber of mines said that Prime Minister Augustin Matata Ponyo has agreed to reopen discussions of the code with industry. “We have to have a round table with miners and investors ... to also see the other side,” Katumbi said. Copper production has surged since the formal end of Congo's 1998-2003 war. Output increased more than 12 % last year, helping fuel GDP growth of 9.5 %. However, the world copper price hit a 5-1/2 year low in January. Three-month LME copper dropped to its weakest level since late April at $6,075. In addition to copper, Congo is the world’s leading cobalt producer and also mines significant quantities of gold, diamonds and tantalum. Mining sector revenues account for close to one-fifth of the state budget. Katumbi waved off questions about his political future amid intense speculation that he will run for president next year.

The vote, scheduled for November 2016, could herald Congo's first ever peaceful transition of power with President Joseph Kabila – in office since 2001 – term-limited after winning disputed elections in 2006 and 2011. Katumbi said he planned to spend more time with his family when he is forced to step down in the coming months as part of a decentralisation initiative that will see Katanga split into four new provinces. *(Reuters)*

Chinese group may increase financing of graphite mining in Mozambique

Chinese group Shenzhen Qianhai Zhongjin is expected to finance more than one graphite exploration operation of Triton Minerals in northern Mozambique, the Australian mining company said in a statement sent to Macauhub in Maputo. After signing a letter of intent with Triton Minerals to provide funding of US$200 million for development of the Monte Nicanda project, the Chinese group is studying the possibility of extending the preliminary agreement to the concession granted to the Australian in Ancuabe, also in the province of Cabo Delgado. This decision follows contacts between the Shenzhen Qianhai Zhongjin Group (SQZG) and two Chinese ministries, which led the group to consider that the assets of Triton Minerals in Mozambique may be strategic for the country, according to the press release.

So far, Triton Minerals' exploration activities in the three concessions it holds in Mozambique have seen most progress in Balama North, where Monte Nicanda is located, and the results of the research indicate it contains the "biggest deposit of graphite and vanadium known worldwide." But following the "encouraging results" in both areas, SQZC requested a six-month extension of the letter of intent in order to assess the possibility of integrating the Ancuabe concession in the pre-agreement, whose initial provisions remain unchanged, Triton Minerals said. The Australian mining company said the period requested by SQZC would give it "enough time" to conduct "initial drilling and further testing, as well as obtaining metallurgical results for the Ancuabe graphite project." The initial agreement provides for a direct investment of US$100 million by SZQG in Triton Minerals, and the remaining amount (US$100 million dollars) will be granted through a loan. *(Macauhub)*

OIL & GAS

Anadarko Petroleum to make final decision on investment in Mozambique

US oil company Anadarko Petroleum will make a final investment decision on Mozambique, the group's vice president said in Maputo, at the end of an audience with the Mozambican prime minister.

"There are agreements that we have to conclude to ensure we can operate and explore the gas, so we want a guarantee that we can execute a project of this size in an efficient and effective way," said Don MacLiver, after a meeting with Carlos Agostinho do Rosario. MacLiver also said talks between the Mozambican government and the US were ongoing to ensure the effective development of the project, work on which is expected to take four years, but has yet to begin, despite an area of around 7,000 hectares already having been set aside in Palma district in the province of Cabo Delgado. The group announced it had hired the CCS JV consortium as the main contractor for the project, which includes the US company Chicago Bridge & Iron, Japan's Chiyoda Corporation and Saipem of Italy. Anadarko Petroleum leads the consortium that operates Area 1 of the Rovuma Basin, off the coast of Cabo Delgado, where studies indicate the existence of over 75 trillion cubic feet of natural gas. *(Macauhub)*

Total E&P Angola launches Kaombo oil project

Oil company Total E&P Angola launched the Kaombo project in block 32 of the Angola sea, where it hopes to have daily production of 230,000 barrels of oil starting in 2017, the company said in a statement issued in Luanda. The start of this project involves building more structures and equipment weighing over 84,000 tons, such as subsea facilities or modules in the shipyards of Porto Amboim (Kwanza Sul) and Ambriz (Bengo), which started to be built. The Kaombo project, located 260 kilometres from Luanda, expects daily oil production in ultra-deep waters (1,400 to 1,900 meters deep) of 230,000 barrels from 2017 and has projected reserves of 650 million barrels of oil. Six of a total 12 oil discoveries in block 32 are due to be developed, specifically involving the Gengibre, Gindungo, Caril, Canela, Louro and Mostarda fields, which cover an area of 800 square kilometres. Total E&P Angola, a subsidiary of French group Total is the operator of block 32 with a share of 30 %, and its partners are Sonangol (30 %), Sonangol Sinopec International (20 %), Esso Exploration and Production Angola (Overseas) Limited (15 %) and Galp Energia (5%). *(Macauhub)*

OneSubsea awarded $330m contract

OneSubsea, a joint venture between Schlumberger and Cameron, announced that the company has been awarded a new contract totaling more than $330m for a gas project offshore North Africa. The scope of supply for the 13-well development includes subsea production equipment, tooling, and installation and commissioning services. Deliveries are expected to begin in 3Q16. *(JP Morgan)*

Premier Oil exits Kenya block 2B

Premier Oil is to leave its joint venture partnership with an interest in onshore Block-2B, according to a news report on Bloomberg. Operator Taipan's stake will increase on a pro-rata basis to 66.7%, Tower's stake to 33.3% after Premier's exit effective April 30. Kenyan Ministry of Energy agreed to a six-month extension to the first additional exploration period to end-Nov. 2015. *(JP Morgan)*

Angola LNG due to come back on stream this year

Angola LNG, Angola's troubled liquefied natural gas (LNG) plant, has said it will come back into operation in the fourth quarter.

In a statement issued on May 30th, cited by the state-owned Jornal de Angola, the consortium behind the project (also called Angola LNG) said that production of gas was on course to restart in September-December 2015, but that exports would not resume until the first quarter of 2016. At its inception, the plant-which has an annual production capacity of 5.2m tonnes and storage capacity of 360,000 cu metres of LNG-was hailed as a major new downstream income opportunity for Angola, and much was made of the cutting-edge eco-friendly technology. For example, the company plans that waste gas that would otherwise be flared or re-injected will be collected from oil-production sites, piped on to land and then cooled. So far, however, the US$10bn facility in Soyo, northern Angola, has been an expensive failure. Having originally been due to begin operations in mid-2012, it did not ship its first cargo until June 2013, and ceased production in April 2014 for maintenance work following a series of electrical fires, pipeline leaks and gas-processing problems.

The prolonged shutdown comes as Angola grapples with low oil prices, which are denting its revenue and forcing public spending and subsidy cuts. Resumption of exports by Angola LNG is seen as an important means of boosting flagging confidence in the country's hydrocarbons sector. It is clear, however, that the market fundamentals are less favourable than when Angola LNG was initially planned: demand growth in Asian markets has begun to slow, while shale gas discoveries in the US and other areas are posing a threat to demand for energy exports from Angola and other African energy producers. *(Economist Intelligence Unit)*

AGRIBUSINES

Kuwait invests US$1.5 billion in agro-industrial project in Mozambique

The Al-Bader International Development Company plans to invest U$1.5 billion in an agro-industrial project for the production of sugarcane in Mozambique, with a view to producing ethanol, the Chief Executive of the Kuwaiti company said. Ali Mahmoud, who was speaking after a meeting with Mozambican Prime Minister Carlos Agostinho do Rosario, said the project would be developed in Massingir district in the interior of the southern province of Gaza, and should begin within three months, according to Mozambican news agency AIM. Apart from this agro-industrial project, the company plans to create a coal to liquid fuels (CTL) conversion unit in Tete province, costing US$13 billion. These fuels have been produced for several decades in neighbouring South Africa, which is the only country in the world with a commercially active CTL industry, and may, according to Ali Mahmoud, reduce Mozambique’s energy import bill. Several coal mining projects are being developed by international groups, such as Vale of Brazil and the International Coal Ventures Private Limited, India, in the coal region of Tete, but are facing difficulties due to a low export capacity of the local facilities and a drop in the price of coal on international markets.

The Chief Executive of the Al Bader International Development Company said the portfolio of projects that the company intends to develop in Mozambique is estimated at US$26 billion. The company is part of the Al-Bader Group that has operations in various sectors in the Middle East, Africa and Asia. *(Macauhub)*

Guinea-Bissau opens “one-stop-shop” for cashew exports

A “one-stop-shop” to facilitate bureaucratic procedures for cashew exports started operating in Guinea-Bissau, under the responsibility of the Ministry of Trade, Industry and Crafts. The “one-stop-shop” centralises all the parties involved in the sale of cashews and expedites bureaucratic procedures for economic operators to export the nuts. The Minister of Economy and Finance, Geraldo Martins, who chaired the opening ceremony, stressed that this facility was important from a statistical point of view, since it allows for data to be collected on the sale of what is Guinea-Bissau’s main export product. Martins also said that exports of cashew nuts in this campaign may reach 200,000 tons against 136,000 tons in the previous one as “the campaign started well and producer prices are good.” The president of the Association of Exporters and Importers of Guinea-Bissau, Amadu Djamanca,praised the scheme and also said he expected this year’s cashew campaign to be a good one. *(Macauhub)*

Portuguese group buys state coffee company in Angola

Angonabeiro, an Angolan company of Portuguese group Nabeiro, will invest US$1 billion in the purchase of the entire share capital of Angolan state coffee company Liangol, said the managing director of the company. José Carlos Beato told Portuguese news agency Lusa that the decision follows a joint executive decree of the Ministries of Economy and Industry, on 13 November, authorising the privatisation of this unit, located in Cacuaco, on the outskirts of Luanda. “The Nabeiro group came to Angola in 2000, at the invitation of the Angolan government, with a view to revitalising the coffee industry, which included the recovery of a factory. This was done and we were in Angola under a management contract [of the old Liangol], but there was the prospect that the asset would be privatised one day and that’s what happened,” said the managing director of Angonabeiro.

Since 2001, the subsidiary of the Portuguese group has taken over the management of the Liangol factory, after also ensuring its recovery and modernisation, taking into account that it had been at a standstill since 1984.

The company covers an area of 4 hectares, with a storage area, roasting and packing area, where the Nabeiro group produces and sells 250 tons of coffee (2014) under its own brand Ginga, which is the market leader in Angola. Before independence from Portugal in 1975, Angola was a major world producer with 4 million bags or 240 tons of coffee per year, but the civil war between independence and 2002 destroyed almost all the country's coffee plantations. In Angola, the Portuguese group's business has been driven by the sale of the Delta brand capsules and by the Ginga brand, made from 100 % Angolan coffee. *(Macauhub)*

Seven Energy Seeks Nigeria Mergers to Boost Gas Production

Nigeria's Seven Energy International Ltd. is seeking to merge or enter a partnership with other companies to expand gas production to meet rising demand from power plants and industries in Africa's largest economy. "The company has had a few discussions with indigenous companies," Chief Operating Officer Jeff Corey said in a May 22 interview in Lagos, Nigeria's commercial capital. "We could invest or operate the gas plant and market the gas for them."

Seven Energy, based in Lagos, plans to increase gas output more than fourfold to 500 million standard cubic feet (14.2 million cubic meters) per day by 2019 from 110 million, Corey said. Meeting that goal is dependent on getting access to reserves and raising funds, he said.

Hydrocarbon assets in the country with an estimated value of $5.8 billion may be sold by international energy companies to Nigerian-owned producers in coming months, according to Bloomberg Intelligence analyst Philipp Chladek. Royal Dutch Shell Plc, Chevron Corp., Total SA and Eni SpA are among those divesting interests in onshore and shallow water oil fields plagued by unrest, violence and theft in the Niger River delta.

Natural gas is at the heart of a government plan to increase electricity generation and end crippling shortages by making the fuel available to independent power generators. Nigeria has Africa's biggest reserves. "We're interested in how we can help develop the gas in these oil blocks for power generation and industrial consumption," Corey said.

Existing Clients

An agreement will be announced this week under which Seven Energy will supply gas to the 504-megawatt Alaoji power plant in the southeast, he said. Existing clients include the National Integrated Power Project that runs a 560-megawatt plant in the city of Calabar and Port Harcourt-based Notore Chemical Industries Plc, which uses the fuel to power its fertilizer plant. Seven Energy raised $400 million in October to extend its existing 260-kilometer (162-mile) pipeline network. Domestic gas demand is projected to grow 11 % a year to reach 7.2 billion cubic feet per day by 2025 from 1.8 billion cubic feet in 2012, Corey said. The company plans to boost output at its Stubb Creek Field fourfold to 8,000 barrels a day by 2017, he said. The project in the nation's southeast Akwa Ibom State started in February and is expected to add gas to Seven Energy's processing and distribution capacity, Corey said. *(Bloomberg)*

Angola's $750 Million Sugar-to-Fuel Project to Start in June

A $750 million project to produce ethanol and sugar in Angola will start next month after a year of delays as costs rose 50 % on a plantation larger than Montreal. Cia de Bioenergia de Angola Lda, which is known as Biocom and has Brazilian construction company Odebrecht SA among its owners, plans to produce 36,000 metric tons of sugar this year starting in June, Managing Director Carlos Henrique Mathias said in an interview in Luanda, the capital. It's targeting 6,000 cubic meters of ethanol production in 2015, he said. "Sugar and ethanol production were supposed to start last year," Mathias said. "We had to delay a bit to focus on testing first."

Angola, Africa's second-largest crude oil producer after Nigeria, wants to diversify its economy away from oil, which accounts for about 95 % of exports. The nation of 24 million people imports 225,000 tons of sugar annually, according to the U.S. Department of Agriculture. The country, which consumes 400,000 tons of the sweetener each year, wants to become self-sufficient, Mathias said.

The southwest African nation is rebuilding agriculture to reduce imports as foreign-currency reserves decline with oil revenue, after prices of the fuel fell about 40 % since June. The Biocom project, 320 kilometers (200 miles) east of Luanda, was originally budgeted at $500 million and targeted 40,000 tons of sugar for last year and 260,000 metric tons a year by 2018, Mathias said in a 2013 interview.

Double Output

The 42,000-hectare (103,784-acre) farm, Angola's largest, plans to expand to 80,000 hectares of sugar cane as part of its second phase in four years and increase output to 254,000 tons a year by 2021, Mathias said. Production will then double by 2025 depending in part on sugar prices, which have fallen 28 % in the past 12 months.

Biocom is 40 % owned by Odebrecht and 40 % by Angolan company Cochan SA, which is controlled by General Leopoldino Fragoso do Nascimento, an adviser to President Jose Eduardo dos Santos known as Dino. State-run oil company Sonangol EP holds 20 %. Mathias rejected claims in a Brazilian court that Biocom committed human-rights abuses or that the 2013 sale of 40 % of the company by Vice President Manuel Vicente to Dino violated transparency laws. "The sale process was totally transparent," Mathias said. The court case in Sao Paulo is based on the false claim that Biocom confiscated workers' passports during a work visas process, Mathias said. "We'll prove that this is based on bad faith of the people that are suing us," he said. *(Bloomberg)*

Partners announce support for fisheries in Angola

The European Union has approved funding for fisheries projects in Angola by 2020 estimated at 23.1 billion kwanzas (190 million euros), the EU representative in in Angola said in Lunda. Fernando Crenda, cited by newspaper Jornal de

Angola said that fisheries projects financed by Brussels are consistent with the policies and commitments made by Angola in the area of the Millennium Development Goals.

At the same meeting, the representative of the United Nations Food and Agriculture Organisation (FAO) announced that cooperation agreements in the 2013/2017 period enable projects to identify aquaculture areas, fishing conservation and sale. Mamadou Diallo said the results achieved to date had encouraged the FAO to increase support for another ten projects funded for the 2016/2017 period by providing 1.21 billion kwanzas (about US$11 million).

In turn, the chief economist of the African Development Bank in Angola said that in 2013 his bank had approved a new project to support the development of artisanal fisheries, estimated to cost about US$40 million. Joelmo Mzima said, during the meeting, that the ADB would grant a loan of US$30 million for the project, with the remaining US$10 million guaranteed by the Angolan central government.

The technical meeting was attended by cooperation partners of the Ministry of Fisheries such as the embassies of Spain and Norway, the FAO, the United Nations Development Programme, the World Bank, the African Development Bank, the National Agency for Private Investment and the Ministry of Industry, among other institutions and national and international business organisations. *(Macauhub)*

Angola prepares projects to combat drought in the south of the country

The government of Angola will spend over US$ 45 million in the development of three major projects to combat drought in southern Angola, according to a presidential order. The document cited by Portuguese news agency Lusa said the projects were part of the Drought Relief Programme, which aim to “meet the population’s needs” and at this stage involve preparing pre-feasibility studies, contracted to the DAR Angola company. The first of these studies provides for construction of the diversion of the Longa or Keve rivers (whose mouth is in the province of Kwanza Sul) to the Wamba valley of and a water retention dam, for US$1.75 million. Covering the province of Kuando Kubango, plans are also in place for a study to assess the transfer of water from the watersheds of the Kubango and Cunene rivers to the river basins of the Cuvelai river, for US$27.95 million. The third project, which will involve a pre-feasibility study, will provide for construction of dams in Namibe province costing US$15.32 million. In some areas of southern Angola the drought has worsened since 2013, increasing the number of applications for aid from local residents and administrators in several provinces. *(Macauhub)*

Angolan company due to begin sugar and power production in June

Companhia de Bioenergia de Angola (Biocom) is due to start producing sugar, ethanol and electricity from June onwards, said in Cacuso the company’s director of corporate relations. Luís Bagorro, who was addressing the Minister of Industry, Bernarda Martins, who visited the project, gave assurances that conditions were in place for the company to launch its business without interruption in June.

The first harvest of sugarcane will enable production of 36,000 tons of sugar, 5,600 litres of ethanol and about 230 megawatts of electricity, which will primarily supply the city of Malanje. In the province, the industry minister opened the Malanje Industrial Hub ad visited a number of other factories including a footwear plant and a factory for processing soybeans.

The company estimates that from 2019 it will produce 256,000 tons of sugar and 30 million litres of ethanol, as well as the electricity that will be used to enhance the Capanda/Cacuso power line, which supplies the municipality and city of Malanje. Biocom, which is part of the Capanda Agro-Industrial Complex, is a partnership between the Angolan State, through the National Agency for Private Investment (ANIP) and Sonangol Holding, with a 20 % stake and Angolan group Damer and Brazil’s Odebrecht, with 40 %. *(Macauhub)*

Green shoots: Angola's agricultural potential

Agriculture and agribusiness are key potential growth areas for the Angolan economy, but bureaucracy, lack of clarity on land tenure, poor electricity and water supplies, and limited skill sets continue to hold the sector back. The fall in the price of oil, the Angolan government's main source of revenue, has limited access to foreign exchange and curtailed government spending. It is also taking its toll on the farming sector, with some projects likely to scale back expansion plans until conditions improve. In June Angola's much-hyped Biocom sugar-to-fuel plant is finally due to start full-time production, some seven years after the project was first announced. The facility in Malange province, in the heart of a new designated agribusiness zone, aims to produce 6,000 cu metres of industrial ethanol in 2015, and to deliver 254,000 tonnes/year of sugar by 2021. Electricity generated by biomass waste at the plant will power the nearby city of Malange. The business is run by a Brazilian conglomerate, Odebrecht, which has a 40% stake in the operation, along with private Angolan investors and the state oil company, Sonangol. As a project, its attractions are obvious: growing sugar cane creates jobs; producing sugar will help reduce imports; and ethanol and electricity are useful outputs. However, for all the government and institutional support the scheme has received, it is starting nearly a year late and according to media reports, its costs has ballooned by as much as 50% along the way.

Currency pressures act as a deterrent

Another Brazilian firm, Brasafrica, is also struggling to marry Angola's agribusiness potential with its operational and economic reality. The company's director-general, Rodrigo Cardoso da Silva, told local media in May that the firm had temporarily shelved plans to invest in growing corn and in cattle slaughterhouses, because of cumbersome bureaucracy and currency pressures.

The firm, which has agricultural-supply shops in two provinces, says it will continue to expand this side of its operation, but is putting the larger investment plans on hold for now. Mr Cardoso da Silva said that Brasafrica, was-like many firms in Angola-finding it hard to pay its overseas suppliers owing to limits on foreign exchange, instigated by the central bank to curb the devaluation of the kwanza, which has been hard-hit by the decline in international oil prices. Securing access to land had also been an issue, he said.

Angola has been trying to boost its agricultural sector for some years, and the government has made ambitious claims about becoming first self-sufficient in food and then a key regional exporter. It repeated such assertions about its banana crop during a trade show in May, but in reality it will take some years before it can export competitively. The country certainly has the right climate and land mass to export agricultural products, but problems securing land tenure, limited access to financing, weak supply chain mechanisms, poor roads and unreliable electricity supplies represent major barriers.

Local produce more widely available

Output from domestic livestock and arable farms has grown significantly in recent years, however, and a number of Angolan goods are now available in local shops. In addition, the country is producing a number of food items-such as fruit and vegetables, yoghurt, eggs, juice and meat products-on a large scale, reducing the dependence on imports. But prices, quality and regular supply remain a challenge, and a prolonged drought in the south of the country is also taking its toll on production levels and farmers' incomes.

The government's Programa de Aquisição de Produtos Agrícolas (Programme of Acquisition of Agricultural Products, Papagro), is helping smaller-scale farmers, who account for 70% of national output, by setting up logistics hubs for sellers to interact with commercial buyers. State media reports about the project have been glowing, but there has been next to no external scrutiny or evaluation of its progress or success.

A consistent call from small farmers is for support to buy machinery such as tractors and inputs such as fertiliser and seeds. A flagship credit scheme launched to substantial fanfare in 2009 was mothballed three years later because of the low rate of repayment. Some other schemes, such as the Projecto de Agricultura Familiar Orientado para o Mercado, known as Mosap, are supporting family-based producers but only a small scale.

Coffee firm privatised

Cash crops, such as cotton and coffee, once major Angolan exports, are now being produced again, albeit only on a small scale compared with the period before the country's 1975-2002 civil war. According to the Ministry of Agriculture, Angola produced 12,000 tonnes of coffee in 2014, its highest level for decades, but well below the colonial-period high of 200,000 tonnes. Most coffee growers are small-scale and struggle to market their crops and deal with pests and disease. Global coffee prices have also fallen in recent years, and the bulk of Angola's crop is Robusta, regarded as inferior to the higher-priced Arabica.

In May a Portuguese firm, Nabeiro, announced that it was buying out the Angolan state coffee firm, Liangol, whose operations it has been running for almost 15 years. Nabeiro is the company behind Portugal's Delta and in buying Liangol, for a reported US$1bn, has now taken over Angola's Ginga coffee brand. Angola needs this kind of private investment to help its agribusiness sector grow, although privatisation also comes with risks, and loss-making enterprises will not be kept running by commercial firms as they often are by the government.

A report produced by members of parliament in April stressed the need to improve access to financing for small businesses operating in sectors like agriculture, and this is sound advice. Too much reliance on government investments, or overseas money, comes with risks because the state is having to cut back on its spending, due to falling revenues, and ongoing curbs on foreign exchange transactions is weakening international investor capacity and appetite.

Agriculture and agribusiness have all the ingredients for much-needed economic diversification, a reduced dependency on imports and large-scale job creation, but hype about potential must not obscure the operational realities. The government needs to work harder across the board to improve its business environment, which is currently ranked 181st out 189 countries assessed by the World Bank's annual Doing Business survey. The government must also liberalise the market and end the monopolisation of supply chains by members of the elite, whose stranglehold on the market keeps costs high and does little to attract greenfield investors. It remains questionable, however, whether the authorities have the political will to do this. *(Economist Intelligence Unit)*

Private equity firm explains why it invested in Zimbabwe’s dairy industry

Private equity firm Spear Capital recently paid US$6m to acquire a 27% stake in Zimbabwe’s Dendairy, a leading dairy producer. According to Muvirimi Kupara, head of the firm’s corporate communications, one motivation behind the investment is that the Zimbabwean dairy industry offers higher returns than in most other markets.

“And we anticipate the market size to grow by a multiple of 10 over the next 10 to 15 years, so there’s nothing but headroom at this stage.” Zimbabwe is a net importer of milk products, noted Kupara, and the market holds growth opportunities for value-added dairy products such as fruit juice, ice-cream and flavoured milk. “Local supply has grown significantly in the last 36 months, but is still significantly under-supplying the market… Probably anywhere between 40% to 50% of demand is being met by local suppliers."

Navigating risk

The investment comprises a combined debt/equity transaction. Kupara explained the deal was constructed in this way to gauge the performance of the debt. If Spear can get the returns it hopes for, the company plans to convert that debt into additional equity in the business. "To use a poker analogy, we don't go all in… If for whatever reason [Dendairy] doesn't perform, we still hold the option of pulling back some of our capital." He added Spear's strategy is to invest in companies that already have competent management that can help the business grow.

Gauging opportunities

Spear is also eyeing other investment opportunities both in Zimbabwe and across sub-Saharan Africa as a whole. "Our priority focus remains Zimbabwe,Zambia and South Africa, but we are open to transacting anywhere in sub-Saharan Africa." According to Kupara, investors shouldn't believe "everything they read" and he advises others to spend adequate time in African markets to properly assess the potential risks and rewards of investment opportunities for themselves.

"Especially as, in a lot of emerging markets, perception doesn't equal reality. The operating model for Africa, particularly with private equity, is you must be 'boots on the ground'. So don't believe everything you read. It [requires] getting on a plane, getting on a bus, and going and personally visiting the market. "All too often in the private equity spaces we sit behind computer screens and don't actively experience the market in which we invest. And that doesn't work in a lot of African emerging markets." *(How we made it Africa)*

TELECOM

Tanzania agrees deal to buy back Bharti Airtel's stake in state telecom

Tanzania's government has agreed a deal to buy back a 35 % stake in a state-run telecoms company from the local subsidiary of India's top mobile carrier Bharti Airtel for 14.6 billion shillings ($7.07 million), a senior official said. The east African nation says it wants to regain 100 % ownership of the Tanzania Telecommunications Corp (TTCL) to recapitalise the cash-strapped firm, which provides mobile voice, data and fixed-line services. "Legal procedures are now being finalised for the government to buy back Airtel's shares in TTCL and regain sole ownership of the company," January Makamba, deputy minister for communication, science and technology, told parliament. "The Tanzanian government has decided to regain 100 % ownership of TTCL in order to rescue the company." The Tanzanian government has been in talks with Bharti Airtel over the deal for the past five years but failed to reach agreement on the price until the recent breakthrough.

The Tanzanian government also owns a 40 % stake in Bharti Airtel's Tanzanian subsidiary. Communications is one of the fastest-growing sectors in east Africa's second-biggest economy, with seven players in the mobile telecoms industry fighting for market share, forcing tariffs lower. Bharti Airtel Tanzania Ltd is the second-largest mobile phone operator in the country after Vodacom Tanzania, part of South Africa's Vodacom Group. Other firms operating in Tanzania include Tigo Tanzania, part of Sweden's telecom group Millicom International Cellular and Zantel, majority-owned by Dubai -based Emirates Telecommunications Corp (Etisalat). The number of mobile phone subscribers in Tanzania rose by 16 % in 2014, to 31.86 million, from a year before. As in other African countries, mobile phone use has sky-rocketed in Tanzania in the past decade. Analysts expect further growth in the east African nation of more than 45 million people. It now has a mobile phone penetration rate of 67 %. ($1=2,065.0000 Tanzanian shillings). *(Reuters)*

Mobile phone access in Africa set to double in next five years

Eighty % of sub-Saharan Africa's 800 million people should have access to mobile telephones by the end of the decade, double the current rate, although government help is needed to reach far-flung areas, industry body group GSMA said. The growth of mobile data - an even more powerful economic tool than simple voice services - also hinges on authorities allocating sufficient spectrum, said Mortimer Hope, the Africa director of GSMA. "We expect data to keep growing dramatically, and to facilitate that you need more spectrum to handle that data growth," he told Reuters on the sidelines of the World Economic Forum Africa in Cape Town. To unleash the full potential of mobile Internet services, he said, governments should also consider cutting taxes on web-enabled handsets to make them more affordable to consumers on the poorest continent.

At the moment about 15 % of Africans have access to the Internet via their mobile phones. "It's very early days for data but we would like it be everywhere you have voice. The extra physical infrastructure deployment is not as big as you would think."

Mobile phones have been one of the factors behind Africa's recent growth spurt, by freeing people from the shackles of the continent's awful landline infrastructure and allowing them to communicate and transact at minimal personal and financial cost. The simple SMS - and more recently mobile social media - have also become powerful political tools, used by grassroots political movements to mobilize support against oppressive states, such as happened in the north African 'Arab Spring'.

Governments across the continent are aware of the economic potential of mobile telephony but are sometimes slow to implement the legal frameworks needed to allow phone companies to expand, Mortimer said. "Many governments across Africa have developed broadband plans. The issue is that those plans very often just sit on a shelf, not being implemented," he said. Africa's biggest mobile phone company is Johannesburg-based MTN. Other major operators are South Africa's Vodacom and France's Orange. *(Reuters)*

RETAIL

Wal-Mart makes slow progress navigating Africa's challenges

When Wal-Mart Stores Inc spent $2.4 billion on a stake in South Africa's Massmart five years ago, the world's biggest retailer said it was buying a gateway to high-growth markets in sub-Saharan Africa.

Despite its powerful U.S. backer, South Africa's number three retailer, selling everything from food to electronics, has added fewer than 10 stores to the existing 25 outside its home market since 2010, lagging rival Shoprite, which doubled its outlets to 300.

Massmart's slow inroads into the rest of the continent, touted as the next big growth area, highlight the challenges of doing business in Africa, and raise questions about Wal-Mart's goal of rapid expansion abroad. "From the start the Africa Rising story was a bit euphoric when looking at it from a retail point of view, and Wal-Mart is now facing the reality," said Boris Planer, analyst at London's Planet Retail.

South Africa's Shoprite, which many investors expected to be a casualty of Wal-Mart's investment in Massmart, has nevertheless pushed ahead in familiar local markets where the U.S. retail giant has moved more cautiously. "If you want extra growth, you've got to take on that extra risk," said Wayne McCurrie, a fund manager at Momentum Wealth in Pretoria. "Recognising that risk, by that I mean a severe shortage of shopping infrastructure, Shoprite started setting up warehouses and partnering with developers to build shopping centres and that's why it is in this quick store rollout phase whereas Massmart is a little bit behind." Guy Hayward, an accountant who took over as Massmart CEO a year ago, acknowledges the need to catch up with Shoprite, whose CEO cheekily asked in 2013: "Where is Wal-Mart?" "We all face challenges but Shoprite has done a good job in getting ahead," he told Reuters.

Wal-Mart's slow progress in Africa also underscores the struggles the U.S. company faces in pursuing a rapid expansion to 27 countries and 6,300 stores outside the U.S. market. Scott Mushkin, who covers Wal-Mart at Wolfe Research, has argued Wal-Mart should look to exit markets in Asia, Europe and Africa due to lower returns than in the Americas. “We believe these operations are a distraction from what appears to be a fairly synergistic operating model from Canada to Chile,” he wrote in a note to clients this month.

Wal-Mart said it was still committed to Africa. "We are excited by the retail opportunities in Africa and we’re confident in the ability of Massmart’s leadership to drive future growth," said Marilee McInnis, director of International Corporate Affairs at Walmart.

FAILED DEALS

The last five years in Africa have been punctuated, for Massmart, by deals that failed to come off. Grant Pattison, who abruptly resigned last year as chief executive, tried and failed to buy Botswana's biggest grocer Choppies Enterprises, Ramachandran Ottapathu, Choppies CEO told Reuters. In Kenya, Massmart was unable to complete a deal with private retailer Naivas because of a family dispute over its ownership. At home, too, some customers are underwhelmed by Massmart's performance. Famed for its aggressive pricing, it appears to be struggling to compete with Shoprite on cheap groceries. "I was very excited when I heard Wal-Mart is bringing low prices to South Africa but I haven't seen that," said Themba Khumalo, a 31-year old bank teller outside a Johannesburg shopping mall. Wal-Mart has also had problems in its bid to fast-track the expansion of Massmart's grocery unit Game. Massmart has complained to the competition watchdog against three rivals over shopping mall leases that prevent Game from selling groceries.

AFRICA RISING

Wal-Mart, and other international companies, want to benefit from a continent poised for dynamic growth fuelled by a rising young population of workers and consumers and global demand for its commodities, an idea known as 'Africa Rising'. There are promising signs for retailers: Shoprite's Basson reported "insatiable" demand for big brands after five Shoprite stores in Angola sold more Red Bull cans than nearly all 400 stores in South Africa in one year.

But others are also finding it tough. Woolworths, a Cape Town-based upscale retailer, pulled the plug on its Nigerian business, citing high rents and duties. The Spar Group, which runs franchise grocery stores, said its partner in Nigeria has managed to open just five of 20 planned stores, having struggled to find suitable real estate and having to import everything from lighting and tiles to refrigerators.

Pick n Pay, South Africa's third biggest grocer by value, recently shut its franchise stores in Mozambique and Mauritius because they were not profitable. "Retail in Africa is just not that romantic, it's not easy. Anything that looks like an overnight success has probably been around for 20 years," said Pick n Pay Chief Executive Richard Brasher, while stressing the group is still seeking to expand.

A common complaint is the time it takes to get goods from ports to shelves. "Even if you air-freight the goods and you think within a week your goods could be in store, it may take five weeks," said Ronnie Steyn, chief financial officer of TFG, the biggest reseller of Nike Inc and Adidas AG products in South Africa.

France's Carrefour, the world's second biggest retailer by sales, has taken a cautious approach. It has focused on China and Brazil as its key markets for expansion, while opting in Africa for franchise deals with strong local connections.
"Going into Africa is still a little bit adventurous in a way, compared to, for example, Asia, which has mega-cities and plenty of shopping malls," said Marieke Witjes, a retail consultant at AT Kearney in Johannesburg. "That's why a lot of international players are still kind of fearful about putting their money into Africa."

SPACE SHORTAGE

Hayward said Massmart remained committed to expanding further into the rest of Africa but cited the familiar list of challenges, including haphazard property laws and poor infrastructure.
Among the biggest is the shortage of real estate space and big malls, something that prompted Shoprite to raise 3 billion rand three years ago to team up with developers to build its own stand-alone stores in markets such as Nigeria.
"Do I advise my clients to stay away from Africa given Wal-Mart's experience? No. Do I advise them to wait until there are enough shopping malls in countries like Nigeria to build critical mass? Yes," said one retail consultant in Johannesburg, who declined to be named. Hayward said Massmart has started setting up its own stand-alone stores and was also considering partnering with landlords on building properties.
The strategy would help Massmart open 19 stores in several African countries by the end of February next year, and increase its trading space by more than 45 %, he said. Gabriel Sacks, investment manager at Scottish-based Aberdeen Asset Management, the third largest shareholder in Massmart with more than 4 %, is prepared to be patient. "Whilst we appreciate the market's frustration with the pace of growth, we are of the view that a more cautious approach to rolling out stores in Africa is no bad thing given our preference for capital discipline," Sacks said. "Faster growth would be welcome, but not at all costs." *(Reuters)*

Mr Price to open Australian stores

The Mr Price Group is set to open its first physical stores in Australia later this year selling Mr Price clothing and home products, and this time market commentators are more optimistic about a South African retailer succeeding Down Under.
CEO Stuart Bird made the announcement with the release of the group’s financial results for the year to March, in which it bucked SA’s retail sector gloom. The group’s headline earnings per share rose 21% and its dividends per share climbed 20.3% in the period. The company’s share price rose 2.39% to close at R235.49. "We have been focused on identifying new markets for expansion of our Mr Price and Mr Price Home chains. Based on online testing and detailed desktop and on-the-ground research, we believe there is an opportunity for a fashion value retailer in Australia," Mr Bird said. "Our plans there will commence with Mr Price opening test stores this year in time for festive season trade," he said. The company would fund the new Australian stores using its cash resources. Sasfin securities deputy chairman David Shapiro said while Australia had an extremely competitive retail market, Mr Price had proven itself to be a "very well-run retailer with a strong management team". "If anyone can do it Down Under, it’s them. Their management team is excellent and that is really what they are about. People like to shop at Mr Price. Their online store, which opened a couple of years ago, has been very successful and they have a formula to sell well in the parts of Australia which they believe will serve them well," he said.
Investment analyst Simon Brown agreed that Mr Price was seen as a company that had a better chance than most of succeeding in Australia. "Generally it is a global trend that when retailers head to new countries, they struggle. We have not had many success stories there yet," he said.
During the financial reporting period, Mr Price’s total revenue grew 13.9% to R18.1bn and its retail sales increased by 13.5% to R17.3bn. Cash sales grew 14.9%, ahead of credit sales of 7.5%, and constituted 81.9% of total sales.
Units sold increased by 5.5% to 228.9-million. This helped the group to build a strong cash pile that it could use for expansion. It also was not exposed to indebted consumers in the economy — struggling to pay back debt — as much as other retailers were.
The group opened 76 stores and closed five, which resulted in weighted average trading space increasing by 5.1% and the group operating 1,150 corporate-owned and 15 franchise stores. "While we have identified opportunities for improvement, we are very satisfied with the results achieved in an environment in which the economy and consumers are struggling," said Mr Bird. Mr Brown said Mr Price’s results were highly impressive and stood out against other retailers’ recent results. "It is probably SA’s best retailer, and we have a bunch of good ones but they are best and the results were exactly as expected, top notch," he said. *(BDLive)*

MARKET INDICATORS

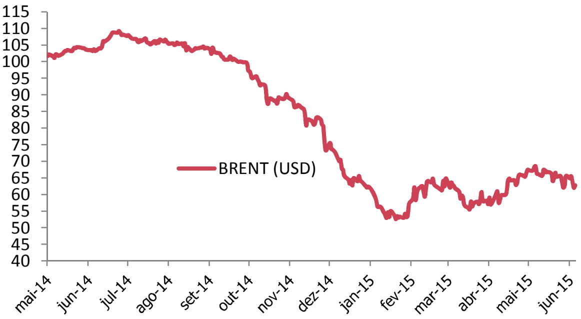
05-06-2015

STOCK EXCHANGES Index Name (Country)	05-06-2015	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	10.576,34	11,31%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	270,39	4,77%
Case 30 Index (Egypt)	8.780,76	-1,63%
FTSE NSE Kenya 15 Index (Kenya)	219,43	1,83%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.515,46	1,38%
Nigerian Stock Exchange All Share Index (Nigeria)	33.247,73	18,41%
FTSE/JSE Africa All Shares Index (South Africa)	51.360,27	3,19%
Tunindex (Tunisia)	5.647,19	10,95%

Source: Bloomberg and Eaglestone Securities

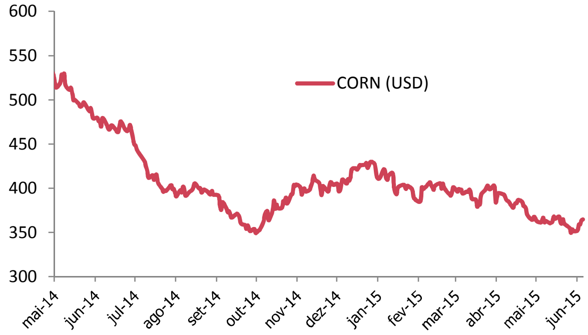
METALS	Spot	YTD % Change
Gold	1.174	-0,89%
Silver	16	2,96%
Platinum	1.100	-8,94%
Copper $/mt	5.915	-6,11%

Source: Bloomberg and Eaglestone Securities



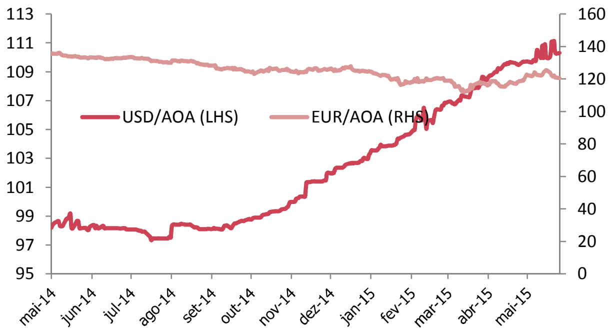
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	58,5	7,81%
ICE Brent (USD/barril)	62,7	5,96%
ICE Gasoil (USD/cents per tonne)	574,0	8,35%

Source: Bloomberg and Eaglestone Securities



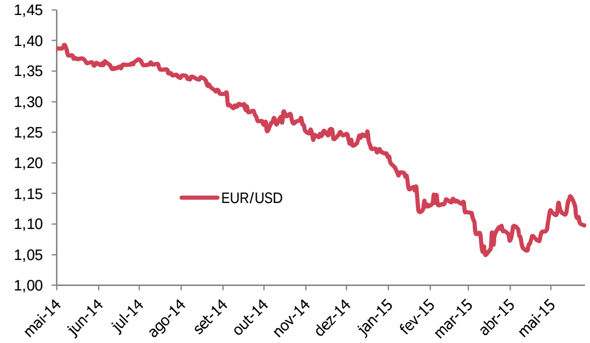
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	364,8	-8,98%
Wheat cents/bu.	526,0	-11,52%
Coffee (KC) c/lb	133,9	-20,91%
Sugar#11 c/lb	12,1	-18,97%
Cocoa $/mt	3098,0	7,12%
Cotton cents/lb	65,0	6,37%
Soybeans c/bsh	946,0	-8,20%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	117,456
EUR	123,982
GBP	169,198
ZAR	8,894
BRL	35,240
NEW MOZAMBIQUE METICAL	
USD	37,750
EUR	42,376
GBP	57,829
ZAR	3,040
SOUTH AFRICAN RAND SPOT	
USD	12,423
EUR	13,945
GBP	19,030
BRL	3,963
EUROZONE	
USD	1,12
GBP	0,73
CHF	1,05
JPY	140,03
GBP / USD	1,53

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

Southern African International Trade Exhibition: 21–23 June 2015 Gallagher Convention Centre, Midrand, Johannesburg South Africa. *www.exhibitionsafrica.com*

East African Power Industry Convention, 27 – 28 August 2015 KICC, Nairobi, Kenya Optimising East Africa's Power Supply Capabilities. *www.eapicforum.com*

New York Forum AFRICA, 28-30August Libreville, Gabon, the world's leading pan-African business summit *www.ny-forum-africa.com*

AFRICA – JAPAN BUSINESS INVESTMENT FORUM 31st August - 2nd September 2015, Addis Ababa , Ethiopia - For information: Erika Atzori e.atzori@icpublications.com

South Africa: Super Investor Africa: 14 – 16 September 2015 - *http://www.superinvestorafrica.com/*

7th African Business Awards 20th September, New York, USA
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

2nd African Leadership Forum (ALF) 21st September, New York, USA
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015

Dubai: Super Return Middle East - The Largest Private Equity Event in the MENA Region: 4 - 7 October 2015

The Global African Investment Summit, 1-2 December 2015 Central Hall Westminster, London UK
www.tgais.com/africanbusiness

Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016
http://www.saceec.com/events/view/mining-indaba-2016

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Services Authority. The first of its six Luxembourg based funds has received approval from la Commission de Surveillance du Secteur Financier.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

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